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Health Savings Account (HSA) Overview

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Health Savings Account (HSA) Overview

A Health Savings Account (HSA) is an individually owned, tax-advantaged account that may be used to pay for qualified medical expenses or saved for retirement and long-term care expenses. It is portable, so you do not give up the account when you change jobs or become unemployed.

The benefits of an HSA—tax advantages

One of the biggest benefits to both employers and individuals is the tax savings. An HSA is tax-advantaged in three ways, known as the "triple tax advantage."

- Contributions you make to the HSA are tax-deductible.
- Earnings on the HSA balance are not taxed.
- Funds withdrawn to pay qualified medical expenses are not subject to income taxes or penalties.

Eligibility

To be eligible for an HSA, you must meet the following criteria:

- Be covered by a qualified high-deductible health plan (HDHP). This is an insurance plan with an annual deductible for an individual or a family that meets the minimum deductible amount published annually by the U.S. Treasury Department.
- Not be covered by any other health plan, such as a flexible spending account (FSA) or a spouse's health care plan, although coverage under a limited-use FSA plan is permitted.
- Not be enrolled in Medicare benefits or other government-sponsored medical plans (such as TRICARE®).
- Not be claimed as a dependent on another person's tax return.

Account setup

When you elect an HDHP with an HSA option (either during annual enrollment, as a newly eligible employee, or as the result of a qualified status change), you agree to have an HSA account opened on your behalf. Your information was passed to UMB after you completed the enrollment process, and no further action is required. To review the terms and conditions for the HSA to which you agreed during enrollment, you can visit **www.yourspendingaccount.com/hsaterms**. Your account can be established as early as the effective date of your HDHP coverage. However, if your coverage begins on any day other than the first day of the month, you cannot establish your account until the first day of the following month. You cannot be reimbursed for qualified medical expenses incurred before your account is established.

Communications

- You will receive a welcome letter from UMB containing your account number and contact information.
- You will also receive a YSA card with HSA frequently asked questions (FAQs) and card usage tips.
- You will receive a quarterly account statement detailing your account activity. If you have elected to receive your statements electronically, you will be notified monthly.
- You will receive a Form 1099-SA at the end of each calendar year detailing all distributions for tax purposes. Also, the following April, you will receive a Form 5498-SA with the total annual contribution for the prior year.



Beneficiary designation

Assigning a beneficiary designation to your HSA account ensures that your assets are appropriately assigned upon your death. You can access a beneficiary designation form on the website through the “Learn About Health Savings Accounts” link.



Contributions

The maximum amount that may be contributed to an HSA cannot exceed the maximum contribution limit published annually by the U.S. Treasury Department. For individuals age 55 or older, a "catch-up" contribution can be made to the HSA. The money accumulated in the HSA may earn interest without being subject to federal income tax.

Contribution options

All contributions are initially deposited into the HSA base account. Once the funds are deposited, you may choose to withdraw, save, or invest the funds.

Payroll contributions

Contributions made via payroll will be automatically deposited into your HSA base account. The process may take three to five business days.

Note: *The HSA does not have an available balance until a deposit is received.*

Personal check or electronic transfer

If you choose to make additional contributions, outside of payroll, deposit forms are available on the website, allowing you to make deposits via personal check directly to your HSA account. Additionally, you can have funds electronically transferred from your personal bank account to your UMB HSA base account via the "Make Contribution" link on the website.

Prior-year contributions

You may make HSA contributions for a prior year in which you had an established HSA no later than the deadline, without extensions, for filing a federal income tax return for that year. For calendar-year taxpayers, this is generally April 15 following the year for which the contributions were made.

Trustee-to-trustee transfer

If you currently have an HSA and wish to transfer the balance to a newly established HSA, you must complete and submit a transfer form. To facilitate this transaction, you can obtain a trustee-to-trustee transfer form on the website through the "Learn About Health Savings Accounts" link. Simply complete this form and submit it to your **prior administrator**, who will then transfer your remaining funds to UMB on your behalf. The process typically takes 10 to 14 days from the time your prior administrator receives your trustee-to-trustee transfer form, depending upon your prior administrator's processing requirements.

Note: *There may be a fee charged by your prior administrator for processing the transaction.*

Annual contribution limits

Each year, the HSA contribution limits are revised (or remain unchanged) based on the inflation rate of the previous year. Visit **www.yourspendingaccount.com/hsalimits** for a compilation of the varying HSA contribution limits year by year. The maximum amount that may be contributed to an HSA cannot exceed the maximum contribution limit published annually by the U.S. Treasury Department. The same annual contribution limit applies regardless of whether the contributions are made by an employee, employer, or both.



Disbursements

Funds in an HSA may be withdrawn, without tax penalty, to pay qualified medical expenses[1] for you, your spouse, or your dependent(s). Dependents are not required to be covered under the HDHP. Qualified medical expenses include out-of-pocket medical expenses subject to the HDHP deductible and coinsurance, as well as many additional expenses including dental, vision, and health care supplies, and long-term care premiums. It is solely your responsibility to retain receipts and records of reimbursements for tax purposes.

A full list of eligible expenses can be found on the U.S. Treasury Department's website, but, generally, to be considered eligible, the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness.

Most medical expenses are covered, such as the following:

- Doctor's visits and hospital charges
- Chiropractic care
- Prescriptions and over-the-counter health care supplies
- Dental care
- Vision care

Other eligible expenses include the following:

- COBRA premiums
- Qualified long-term care insurance premiums
- Medicare premiums
- Health plan coverage if receiving federal or state unemployment benefits

A general list of eligible expenses can also be found on the "Health Savings Accounts" tab of the website.

[1] It is the account holder's responsibility to withdraw funds for qualified expenses and maintain receipts per IRS guidelines or be subject to income taxes and a 20% penalty.



Disbursement Options

There are two primary methods of withdrawing funds from the HSA base account—the YSA card and the "Get Reimbursed" feature.

YSA card

- YSA offers a signature-based debit card for use at medical, dental, and vision providers to pay for qualified medical expenses. The card is also accepted by most pharmacies.
- The funds available on the YSA card are equal to your balance in the HSA base account, noted as your "Available Balance" on the website. Funds in the Self-Directed Brokerage Account are not available on the YSA card.
- HSA transactions do not require validation, although it is recommended that you save all receipts for tax purposes.

Get reimbursed: direct deposit

- As an alternative to the YSA card, you have the option of self-reimbursement through direct deposit. This works as the name suggests—you can make deposits from your HSA base account directly into a personal checking, savings, or money market account by accessing the "Get Reimbursed" link on the website.
- You can simply enter the desired amount along with the appropriate account and routing numbers, and the funds will transfer automatically within two to three business days.
- There is no fee associated with this transaction.

Checks

Checks are not offered under this plan. This avoids unnecessary overdraft fees.

ATM

There is no ATM access with this plan.

As medical expenses under a typical HDHP seldom match the round-dollar amounts associated with ATM withdrawal options, this avoids the need to repay the HSA for amounts withdrawn over the amount of the actual health care expense—as well as any ATM fees.



HSA Base Account

The UMB HSA base account is an interest-bearing deposit account with an optional money market sweep feature. This FDIC-insured account is maintained in your name at UMB Bank. All contributions to the HSA will be initially credited to the base account, and all distributions from the HSA will be withdrawn from the base account. Funds in this account are owned entirely by you, the account holder, and are not subject to "use it or lose it" rules.

Balance-based interest rates

The HSA base account will pay interest monthly according to UMB's balance-based interest rate tiers.

Money market sweep option

Once you exceed a $1,000 balance in the HSA base account, you may enroll in UMB's automated money market sweep option, which may earn a higher interest rate than the base account.

How it works

Each night, funds in excess of $1,000 in the base account are automatically used to purchase shares of the institutional money market fund. As ongoing contributions to the base account are made, additional dollars are moved into this sweep account each night. Contributions cannot be made directly to the money market account.

Fees

There is no initial setup fee or ongoing account fee for the money market sweep option.

Investments in the money market fund:

- Are not FDIC-insured;
- May lose value; and
- Have no bank guarantee.

Get started by accessing the "Manage Your Investment" link on the website.



Self-Directed Brokerage Account Option

The UMB HSA provides the opportunity to select and manage your investments through an online brokerage account.

Opening a brokerage account

- A minimum balance of $1,000 in the HSA base account is required prior to opening a brokerage account.
- Additionally, funds typically require an initial minimum investment of between $1,000 and $2,500.
- A fully functional brokerage window and additional online Web tools are available to help manage your account.
- All interest and earnings from the sale of securities is returned to the HSA base account balance.

Funds

- More than 170 mutual funds are available in seven nationally recognized fund families. See the “Manage Your Investment” link on the Health Savings Account tab for a representative list of mutual funds.
- All funds are “no-load” funds offered at net asset value (NAV).

Fees

- There is a standard fee for any initial investment, as well as a reduced fee for recurring transactions. See the UMB website for details.
- Fees are subtracted from your HSA base account balance.

Investments

Investments in securities offered through the brokerage account:

- Are not FDIC-insured;
- May lose value; and
- Have no bank guarantee.

Get started by accessing the “Manage Your Investment” link on the website.



About UMB

UMB is the custodial bank responsible for your HSA.

Stock symbol
NASDAQ: UMBF

Holding company
UMB Financial Corporation

Headquarters
UMB Financial Corporation
1010 Grand Boulevard
Kansas City, MO 64106

As one of the largest independent banks in America, UMB is fiercely committed to its customers and to ensuring that each and every customer can count on more. Since its beginnings in 1913, UMB has provided a wide range of products and services that help its customers reach their financial dreams.

In 1996, UMB embraced the concept of consumer-directed health care and was one of the first banks in the country to offer Archer Medical Savings Accounts. Today, UMB supports multipurpose debit card solutions that include various combinations of HSAs, FSAs, HRAs, lines of credit (LOCs), dependent care, and transit.

Here are some additional facts about UMB:

- Industry leader in treasury management and health care services
- Complete banking services, including credit and debit card services, small business, private banking, and commercial banking
- Named one of America's Best Banks by *Forbes* for the fifth straight year
- UMB Healthcare Services is one of the top 10 custodians in the country, with account holders throughout the nation
- Following 2013 open enrollment, UMB continues to service more than 450,000 HSAs, with balances of more than $800 million
- There is $11.3 billion in corporate trust assets under administration
- The National Automated Clearing House Association ranked UMB among the top 25 largest ACH originators in the United States
- More than 4.1 million health care payment cards are tied to FSAs, HRAs, and HSAs



Appendix A: HSA Website Navigation–*New for October 2014!*

Beginning October 3, 2014, most Health Savings Account activities can be performed directly through the YSA website.

Simply click on the "Health Savings Account" tab for any of the following, and you will no longer need to access a separate site.

Account management: contributions and distributions

- Balance displayed in real time for all accounts
- Reimbursement for eligible expenses
- Contributions and contribution details
- Account activity details
- Bill pay for direct provider payment and to establish recurring payments
- Investment management (accessed via investment platform link)

Communications and forms

- Account statements
- Beneficiary designation forms
- Tax information
- Text messages (see "Manage Your Profile" link under the "Take Action" bar)

Education and decision support

- HSA modeler for contribution and tax savings projections
- Graphical display of HSA distributions
- "Learn About Health Savings Account" page, including eligible expenses, FAQs, interest rates, and more



Appendix B: Plan Comparison

Please note that these are general comparisons, and specific plans may not be offered by your employer.

Flexible Spending Account (FSA)	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
Overview		
A tax-advantaged account that allows employees to pay for qualified medical expenses as established by an employer's cafeteria plan (Section 125)	An employer-owned and funded reimbursement account that allows employees to pay for certain services as determined by the plan document	A tax-advantaged savings account, available to all taxpayers with a qualified high-deductible health plan (HDHP), that allows individuals to pay for qualified medical expenses as determined by the U.S. Treasury Department
Eligibility		
Employee who meets the employer's eligibility criteria	Employee who meets the employer's eligibility criteria	Employee who meets the employer's eligibility criteria and is covered by a qualified HDHP
Account Owner		
Employer	Employer	Employee
Earns Interest		
No	Employer may apply a notional interest credit	Yes
Account Portability		
No	No	Yes
Contributions		
Employee (payroll deferral) Employer	Employer	Employee (payroll deferral) Employer Employee (direct)
Eligible Expenses and Distributions		
▪ IRC §213(d) qualified medical expenses, as defined in the employer's plan document ▪ Cannot be used for nonmedical reasons	▪ As defined in the employer's plan document: – IRC §213(d) qualified medical expenses – Medicare, health insurance premium (at age 65), and long-term care premiums – COBRA (when unemployed) ▪ Cannot be used for nonmedical reasons	▪ IRC §213(d) qualified medical expenses; Medicare health insurance premium (at age 65) and long-term care premiums; COBRA (when unemployed) ▪ May be withdrawn at any time for any reason (subject to income taxes and 20 percent penalty) ▪ Funds can be used to pay for self, spouse, and dependent children even if they are not covered by the HDHP

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Flexible Spending Account (FSA)	Health Reimbursement Arrangement (HRA)	Health Savings Account (HSA)
Claims Validation		
ERISA plan—employer or administrator must validate expenses	ERISA plan—employer or administrator must validate expenses	Only the employee is required to maintain documentation; employer and administrator need not review
Rollover of Unused Funds		
▪ No, employees must "use" the annual election dollar amount or "lose" the balance at the end of the plan year unless the client allows for a carryover of up to $500 per year ▪ An employer may allow a 2½-month annual grace period	▪ Yes, most employers allow some portion of the balance to roll over from year to year; however, it is generally forfeited upon termination ▪ Rollover rules must be outlined in the plan document	▪ Yes, individuals may use the current year's contributions for future years' expenses ▪ The account is nonforfeitable and belongs to the individual for life

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