

# Medica Consumer Directed Solution

## Health Savings Account

### Frequently asked questions

Your plan includes a Health Savings Account (HSA), an account you can use to pay for office visits, prescription drugs and other eligible health care expenses. Your HSA will be administered by Optum Bank<sup>SM</sup>. Check out the following frequently asked questions to learn more about how your HSA works.

In addition:

- Watch for a **separate mailing** from Optum Bank for complete information about your account.
- Also watch for your **MasterCard®-branded debit card** from Optum Bank. You can use the card at the doctor's office, pharmacy, etc., or to withdraw money to reimburse yourself for expenses paid out of pocket.
- Once your HSA is set up, you can sign in to your Medica member website at **Medica.com/SignIn** to access Optum Bank's website, where you can check your HSA balance, find forms, contact Member Services, and more. You can also sign in to **Medica.com/SignIn** to get information about your health plan benefits. You can track your claims, view your coverage document (which contains complete details about your health plan coverage), order extra ID cards and more.

#### What is an Optum Bank Health Savings Account (HSA)?

An Optum Bank HSA is an account you can use to pay for qualified health care expenses for yourself and your covered dependents. You can make contributions to the account as long as you're covered by a high-deductible health plan. Your account is portable, which means you can take it with you when you leave your employer. You also have the option of using your HSA funds for nonqualified expenses; but, you'll generally pay income taxes on the amount, plus an additional 20% penalty.

#### How can having an HSA help me save on taxes?

The contributions you make to your HSA are tax free. And, when you withdraw money to pay for qualified health expenses, you don't pay taxes on those funds. This reduces your taxable income and, potentially, the amount of income taxes you pay. For example, let's say your employer lets you fund your HSA through payroll deductions. You have them deduct \$100 from each paycheck, which adds up to \$2,600 a year (assuming you're paid bi-weekly). Since that amount isn't counted as income, you could save:

<b>\$650</b> on federal taxes (assuming a 25% tax rate)	<b>\$147</b> on payroll taxes (at 5.65%)	<b>\$130</b> on state taxes* (assuming a 5% tax rate)	<b>A total tax savings of \$927</b>
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\* Some states tax HSA deposits.

The above is just an example. Check with your tax advisor to see how your HSA affects your unique tax situation.

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### Who can contribute to my HSA?

Depending on how your health plan is designed, you, your employer or anyone else may contribute to your HSA, as long as the contributions meet IRS guidelines.

### What criteria must I meet to enroll in an Optum Bank HSA?

To enroll:

- You must be enrolled in a high-deductible health plan that meets IRS requirements
- You can't be covered by another health plan that is not a high-deductible health plan (for example, you can't be a dependent on anyone else's plan, except for vision or dental coverage)
- You can't be enrolled in Medicare
- You can't be claimed as a dependent on another person's tax return

### What is a high-deductible health plan (HDHP)?

An HDHP is a health plan that has a deductible amount within a certain range. The IRS determines the deductible amounts that make a plan an HDHP. You'll find these amounts in Publication 969 on [IRS.gov](https://www.irs.gov). You can check your plan's deductible amount at [Medica.com/SignIn](https://www.Medica.com/SignIn).

### What is Optum Bank and what role does it play in my HSA?

Optum Bank is a Utah state-chartered financial institution and an affiliate of UnitedHealth Group. Its accounts are FDIC insured. The bank will be the holder of your HSA funds and will service your account. You'll receive communications about your HSA directly from Optum Bank.

### What information will I receive about my HSA from Optum Bank?

Optum Bank will send you a welcome kit with information about how to access funds in your Optum Bank HSA. You can see your monthly statements online, check your account balance and track your account activity by accessing Optum Bank from [Medica.com/SignIn](https://www.Medica.com/SignIn). If you prefer to have statements mailed to your home, simply call Member Services.

### What if I already have an HSA?

- If you already have an Optum Bank HSA through the same employer who's providing your HDHP for the new benefit year, you don't need to fill out an application again.
- If you already have an HSA, but not with Optum Bank, you can roll over or transfer your HSA to Optum Bank. Rollovers and transfers are subject to IRS restrictions. Please contact your tax advisor for additional information.

*To roll over funds:*

1. Open a health savings account with Optum Bank
2. Complete the rollover/transfer request form, accessible from [Medica.com/SignIn](https://www.Medica.com/SignIn) or by calling Optum Bank Member Services at **1 (866) 227-9735**
3. Close your existing HSA
4. Send the funds to Optum Bank to roll into your new HSA

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### *To transfer funds:*

1. Open a health savings account with Optum Bank
2. Contact the bank that has your existing HSA and ask them to transfer your funds directly to your new Optum Bank account

If you already have an Optum Bank HSA, but not through your current employer, you can maintain your HSA with Optum Bank. You don't need to fill out an application again. As long as you have an HDHP, you can continue to use your current HSA. If you're no longer covered by an HDHP, you can still keep your HSA — you just can't make any contributions.

### **When can I contribute to my Optum Bank HSA?**

You can begin sending contributions to your Optum Bank HSA as soon as your account has been opened. You'll know your account is open when you receive a confirmation letter from Optum Bank. The letter will include the account number for your new HSA.

### **When and how much can I contribute to my HSA?**

You can contribute as often or as much as you wish, as long as your total contributions don't exceed the limits set by the IRS. For 2023, contribution limits are \$3,850 for single coverage or \$7,750 for family coverage. These amounts include contributions from you, your employer (if applicable) and anyone else.

### **How do I make contributions to my HSA?**

You can make a contribution to your HSA:

- By mailing a deposit with a contribution form. Access the form on **Medica.com/SignIn**, or call Member Services at **1 (866) 227-9735**.
- Through payroll deduction. If your employer offers this option, you can have your employer deduct a set amount from your paycheck to deposit into your HSA.

### **What's the best way for a family member or someone else to make a contribution for me?**

Have them write a check payable to you, the Optum Bank HSA holder. Then fill out the Contribution/Deposit Form. Attach the check to the form and mail it to:

Optum Bank  
P.O. Box 271629  
Salt Lake City, UT 84127-1629

Remember, your total contributions can't exceed the annual limits. See "When and how much can I contribute to my HSA?" above.

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### How do I withdraw funds from my HSA?

You can:

- Use your Optum Bank<sup>SM</sup> Health Savings Account Debit MasterCard<sup>®</sup> at a doctor's office, pharmacy or other health care facility that accepts MasterCard debit cards.
- Use your Optum Bank<sup>SM</sup> Health Savings Account Debit MasterCard<sup>®</sup> to get cash at any ATM displaying the MasterCard logo. You can use the money to reimburse yourself for out-of-pocket expenses. For the fee associated with this transaction, see the HSA Schedule of Fees and Charges, included with your Optum Bank welcome kit.
- Pay a bill online by accessing Optum Bank from **Medica.com/SignIn**.
- Write a check from your HSA to pay for eligible expenses. You can order a book of 25 checks by calling Member Services. See the HSA Schedule of Fees and Charges for pricing information.

### What if my per-person deductible is different than my family deductible—does that affect what I can contribute?

You can contribute up to the Internal Revenue Service HSA limits, regardless of your plan's deductible. See "When and how much can I contribute to my HSA?" above.

### What if my total contributions for the year exceed the IRS limits?

If you contribute more than the IRS allows, you'll have to pay income tax on the excess amount (and on any earnings on the excess amount), based on your tax bracket. Plus, you'll have to pay a 6% excise tax on the excess contributions.

You can avoid paying the excise tax by doing the following:

- Withdraw the excess contributions by the due date for filing your tax return. The tax return is for the year you made the excess contributions.
- Withdraw any income you earned on the excess contributions, and include those earnings as "Other income" on your tax return. The tax return is for the year you withdrew the excess contributions and earnings.

Request a refund by completing and submitting an Excess Contributions and Deposit Correction Request Form. Access the form on **Medica.com/SignIn**.

### When can I start using the funds in my Optum Bank HSA?

You can start using your HSA funds once your account is established.\* Your account is considered established when:

- Your account is open,
- You've returned the appropriate documents to Optum Bank,
- A deposit has been made to your account, and
- Funds are available for use.

\*According to IRS law, to be eligible for reimbursement, expenses must be incurred after your HSA is established.

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### **When am I vested in my HSA funds?**

You are 100% vested as soon as funds are deposited. Keep in mind that if your employer also contributes to your account, they can determine their contribution schedule: yearly, monthly or weekly. Check with your employer to see what their contribution schedule will be.

### **Do I have to use my HSA funds for all of my out-of-pocket health care expenses?**

You have total control of your HSA funds and can decide whether to spend them on your current expenses, or to spend out-of-pocket and save your HSA money for the future.

### **What expenses can I pay for with funds from my HSA?**

Section 213(d) of the tax code defines which health care expenses are eligible for reimbursement from an HSA. See a list of these qualified expenses in IRS Publication 502, available on [IRS.gov](https://www.irs.gov). If you use your HSA funds for nonqualified expenses, the amount will be taxable and appropriate tax rules will apply.

### **How much tax will I pay if I use my HSA funds for nonqualified expenses?**

Any funds you withdraw from your HSA for nonqualified expenses will be taxed at your income tax rate, plus a 20% penalty.

### **How do I report withdrawals that are used for nonqualified expenses?**

You must report withdrawals for ineligible expenses to the IRS. Check with your tax advisor for details.

### **What records do I need to keep for my HSA transactions?**

You are responsible for keeping all records associated with your HSA. Save all receipts and records of withdrawals for tax reporting to the IRS. If you use your funds for non-qualified expenses, you must report those withdrawals accordingly.

### **What happens if I withdraw too much and don't spend it on qualified HSA expenses?**

If you use your HSA funds for anything other than a qualified health care expense (as defined in IRS Publication 502), the amount is subject to both income tax and a 20 percent penalty. However, if you are 65 or older, the amount used for non-qualified expenses is treated as retirement income, and is subject to normal income tax, but not subject to the 20 percent penalty.

### **If I withdraw funds from my HSA by mistake, can I return them to my account?**

Yes. If you mistakenly withdraw money from your HSA, you can return it to your account. Just complete and mail or fax a Withdrawal Correction Form. You must return the funds by April 15 following the year in which you mistakenly withdrew the money. Access the form at [Medica.com/SignIn](https://www.Medica.com/SignIn), and see the HSA Schedule of Fees and Charges for the fee associated with this transaction.

### **Will I earn interest on my HSA funds?**

If your employer selected the e-Access account, you won't earn interest on your HSA funds. If your employer selected the e-Saver account, then you will earn tax-free interest based on your HSA balance. Optum Bank will tell you the exact interest amount, along with any updates to this amount.

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### **Will I have to pay any fees for my HSA?**

The HSA Schedule of Fees and Charges shows the amounts associated with various transactions, as well as account maintenance fees. The schedule is included in your Optum Bank welcome kit.

### **What happens to my Optum Bank HSA if I leave my employer?**

All funds in your Optum Bank HSA, including funds contributed by your employer, are yours to keep. If you leave your employer, you can:

- Keep your HSA at Optum Bank
- Transfer your funds to another qualifying HSA; to avoid taxes and an additional 20 percent penalty, you must transfer the funds within 60 days of withdrawing the money from Optum Bank

### **What are catch-up contributions and who can make them?**

Generally, when you reach age 55, you can begin making additional contributions to your HSA to maximize your tax advantages and set aside the money you need. Eligible individuals between 55 and 64 can make catch-up contributions of \$1,000 annually, as long as they're enrolled in a high-deductible health plan. You can make the full amount of the catch-up contribution the year you turn 55, assuming that you're enrolled in a high-deductible health plan for the full year.

### **If I'm eligible to make catch-up contributions, how can I make them — all at once or over time?**

You can make catch-up contributions either way: with a one-time contribution or several contributions spread throughout the year. See "What are catch-up contributions and who can make them?" above for information about who is eligible to make catch-up contributions. For more specifics, please refer to IRS guidelines or check with a tax advisor.

### **Is it true that individuals 65 or older can withdraw funds from their HSA for any reason without a penalty?**

Once you turn 65, there is no penalty for withdrawing funds from your HSA. You would, however, pay income taxes on the money if it's used for non-qualified expenses (i.e., expenses not included in IRS Publication 502).

### **Let's say I have an Optum Bank HSA and accumulate \$5,000 in it. Three years later, I'm no longer covered by a high-deductible health plan and am married. Can my spouse use funds from the HSA for expenses not covered by our health plan?**

Yes. At any time you can withdraw HSA funds tax free for eligible expenses for a dependent you can claim on your taxes. You don't need to be enrolled in a high-deductible health plan (HDHP) to *withdraw* funds from your HSA, but you do need to be enrolled in an HDHP to *contribute* to the account.

### **What should I do if I change my name or address?**

First, contact your employer to tell them about any changes to your name and/or address. Your employer will then notify Medica about your changes so they can update your health plan information. Second, contact Optum Bank at **1 (866) 227-9735** to change your name and/or address for your HSA.