

Health Savings Account



take care[®]



**Blue Cross
Blue Shield**
of Michigan

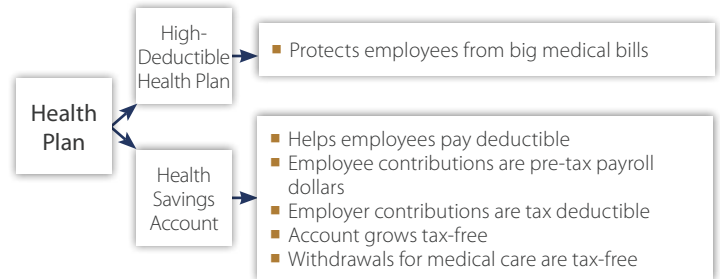
A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

WHAT IS A HEALTH SAVINGS ACCOUNT (HSA)?

Employers are looking for ways to reduce their health care premiums and provide a way for employees to save tax free money to pay for health care expenses the insurance plan doesn't pay.

Many are turning to High-Deductible Health Plans (HDHP) with an accompanying Health Savings Account (HSA) to provide an affordable alternative to more traditional plans.

The HSA allows employees and employers to deposit pre-tax dollars into an employee-owned account to pay for out-of-pocket healthcare expenses.



WHAT SETS THE HSA APART FROM OTHER TAX-ADVANTAGED ACCOUNT OPTIONS?

Employer benefits

- Lower premiums through an HDHP paired with an HSA allows companies to offer a desirable healthcare program with affordable rates and competitive features
- A company's tax liabilities are reduced when employees make pre-tax contributions to an HSA
- Employer contributions to an HSA provide even greater tax savings for the employer

Employee benefits

- An HSA allows employees to pay out-of-pocket qualified medical expenses with pre-tax payroll deductions
- There is no "use-it or lose-it" rule. HSA funds can be saved to pay future qualified medical expenses
- In addition to regular HSA contributions, account holders over the age of 55 can also make special catch-up contributions of \$1,000 per year
- The HSA belongs to the employee and is portable if they change jobs
- Money in an HSA earns tax free interest and income

Three investment options are available:

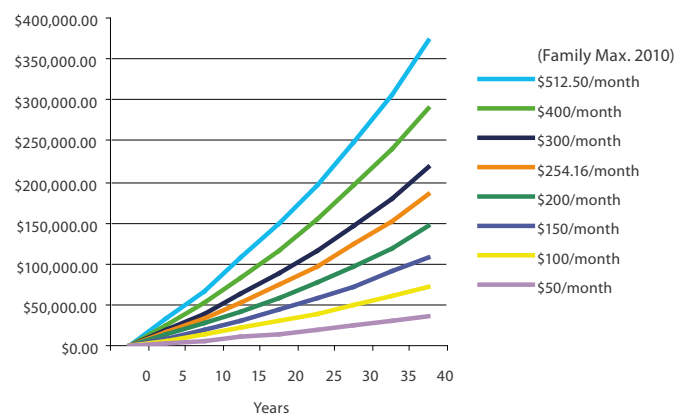
- Competitive interest rates on funds held by HSA Bank®
- Mutual Fund Selection Investment Account with "best in class" selections in 10 asset classifications
- TD Ameritrade self-directed investing with over 11,000 mutual funds with convenient, secure online trade confirmations and account statements

HOW AN HSA WORKS WITH YOUR HEALTH PLAN

- Select a qualified high-deductible health plan that's best for your group.
- Decide if you are going to allocate funds into an HSA for each employee or if the HSA will be exclusively employee contributions. Research has shown that nearly half of all employers make contributions to employee HSAs. The choice is yours.
- Finally, offer a limited FSA to HSA participants to cover out-of-pocket dental and vision expenses. Participants may want to save more than the annual contribution limits an HSA allows. The limited FSA is a great supplement to the HSA.

In order to enroll in an HSA the employee must be covered by an HDHP.

Account Growth Potential



These examples are for illustrative purposes only. Actual savings, tax rates and earnings may vary. For illustration purposes, the following assumptions were used: federal tax rate, 25%; state tax rate, 5%; average annual percent yield over the life of the HSA, 2%; net contributions is the amount remaining in the HSA at the end of the year; and maximum contribution limits remained constant.

TAKE CARE® TOTAL HSA

With the **take care® TOTAL HSA** employees can use the funds in their account to pay for current qualified healthcare services or save them and let them grow tax-free for healthcare needs “down the road.”

Contributions to an HSA can be made through pre-tax payroll deductions through the employer’s cafeteria plan.

How employees use the **take care® TOTAL HSA**

1. The take care card. It’s the easiest way to pay. This special Visa® is the most convenient way for employees to use the funds in their **take care® TOTAL HSA**:

- To purchase prescriptions and over-the-counter medicines and supplies at over 40,000 IRS-compliant retail locations, including drug stores, grocers and super stores. The **take care** card automatically knows which items are IRS qualified and will not pay for other items sold at these retailers.

- At doctors, dentists, vision centers, medical equipment suppliers, and hospitals. The **take care** card is accepted at healthcare providers to pay for services and supplies.



2. Pay Me Back. When employees don’t use their **take care** card to pay qualified expenses, they can request a cash reimbursement from their HSA. A check or direct deposit will be issued directly from their HSA.

It is the participant’s responsibility to ensure that the funds in their HSA are used for qualified medical expenses. For record keeping purposes, and in the event of an audit, participants are required to keep detailed receipts for all expenses paid with HSA dollars. A third party does not adjudicate HSA expenses.

QUALIFIED MEDICAL EXPENSES

Dollars in an HSA can be used to pay for qualified out-of-pocket medical expenses a participant, spouse or dependent children, pays prior to meeting their health plan deductible. HSA dollars also can be used for qualified medical expenses that the participant’s health plan does not cover.

Qualified expenses include but are not limited to:

- co-pays
- vision care (eye glasses, contact lens or laser surgery)
- dental and orthodontic services
- over-the-counter medicines & medical supplies
- prescriptions
- prescribed weight reduction program
- prescribed smoking cessation program
- long-term care insurance
- long-term care expenses
- reconstructive surgery (birth defects, disease)
- physical and speech therapy
- insulin, syringes & supplies
- COBRA continuation

How participants track account activity

Participants have 24-hour access to their account(s). Whether a participant has an HSA or multiple accounts, e.g. an HSA and a Limited FSA, they can access all account information through a single source: Online, through a toll-free interactive voice response line and weekday access to our toll-free call center.

SAVE EVEN MORE WITH THESE OPTIONS

In addition to an HSA, offering employees the option of making pre-tax contributions to a Limited Flexible Spending Account (LFSA) provides additional tax savings for employees and for you. The LFSA can be used to pay only vision and dental expenses. It’s a great way to save even more taxes and be able to pay for big ticket items like laser eye surgery or orthodontia services, without having to dip into HSA dollars.

And there are other tax-advantaged accounts that allow you and your employees to save even more taxes on items like:

- dependent and elder care expenses
- parking/transit expenses related to getting to and from work

These benefits that allow for pre-tax payroll deductions fall under a Section 125 Plan – sometimes referred to as a “cafeteria” plan because of the many choices it offers.

Our consultants can help you design a plan that includes any or all of these benefits.

For a FREE plan consultation call 877-887-6680.



IMPORTANT INFORMATION

Plan requirements

- Your group can start a **take care**[®] account at any time. Plus, you can have a short coverage period to coordinate with other benefits.
- The HSA account holder must be enrolled in an HSA compatible health plan (HDHP).
- The HSA account holder may not be covered under Medicare, certain flexible spending accounts, Health Reimbursement Accounts (HRA), or other health plans that are not HSA compatible.
- The HSA account holder may not be claimed as a dependent on another person's tax return.
- The plans must be in writing and a Summary Plan Description must be distributed to each plan participant.
- The plan may not discriminate in favor of highly compensated employees.

HOW TO GET STARTED

Complete the **take care**[®] Account Application and we take care of the rest. Plan setup and ongoing administration is easy with our turnkey service.

- **Plan Consulting.** Upon receiving your application, a plan specialist will contact you about plan options.
- **Plan Setup.** Setup includes custom documents and forms. For existing plans the service also includes new updated documents and forms.
- **Employee Account Management.** Contributions are collected each pay period and forwarded to the employee's custodial account. Daily services include account tracking and account withdrawal by check or direct deposit. The Flex Benefit card payment option is included at no additional cost.
- **Participant Assistance.** Employees have 24-hour access to their accounts: Online, through a toll-free interactive voice response line and weekday access to our toll-free call center.
- **Annual Plan Compliance.** Services include keeping you informed and up-to-date on changes to IRS regulations that would impact your employees and may require changes to your plan and how it operates.

CONSUMER-DIRECTED HEALTHCARE PLAN DESIGN WORKSHEET

1. Enter the annual HSA contribution maximums established by the IRS for the current calendar year:

Individual \$ Family \$

(NOTE: Annual contribution limits to an HSA are set by the IRS. To view current IRS contribution limits go to www.takecareplans.com/bcbsm, click on the "employer" tab, then select "Annual plan limits" on the left side of the page.)

2. How much would you like to contribute to an HSA for each eligible* employee for the plan year:

Employee only \$ Family \$

3. How much each eligible* employee can contribute to an HSA during the plan year:

(NOTE: If contributions in an HSA come from multiple sources, i.e. the employer and the employee, the combination of those contributions cannot exceed the IRS annual contribution limit.)

The \$ amount in #1 above minus the \$ amount in #2 will equal the maximum employee contribution amount in #3.

Employee only \$ Family \$

4. Offering employees the option of making pre-tax contributions to a Limited Flexible Spending Account¹ (LFSA) provides additional tax savings for employees and for you.

- The employer sets the maximum annual contribution limits for the LFSA
- LFSA contributions are kept in a separate account from the HSA
- LFSA dollars can only be used to pay for qualified dental and vision expenses
- The LFSA is a great way to pay for big ticket items like laser eye surgery or orthodontia services, without having to dip into the HSA

a. Will you offer an LFSA to HSA participants? Yes No

b. If "Yes", what *annual* dollar limit do you want to set for employees who wish to make voluntary pre-tax payroll deductions to a LFSA?
\$

Unused employee LFSA contributions can be used for expenses incurred within 75 days after the plan year end. This is an IRS option that you can select and one that employees will appreciate.

c. Will unused employee contributions to an LFSA be available for expenses incurred within 75 days after the plan year end? Yes No

For a FREE plan consultation, call 877-887-6680

* An individual must be enrolled in a High Deductible Health Plan (HDHP) in order to make contributions to an HSA or receive HSA contributions from an employer or a third party. The HSA account holder is not required to be covered by a HDHP to use the funds to pay for qualified medical expenses.

¹ Contributions to a Limited FSA fall under rules pertaining to IRC §125 Flexible Spending Accounts.

TAKE CARE® ACCOUNT APPLICATION



Required information about your group

1. Legal Name of Company Sponsoring Plan _____
2. Business Entity Type C Corporation Sole Proprietorship Partnership Not-For-Profit
 S Corporation Limited Liability Company Government Entity or Church
3. Legal Name(s) of Affiliated Company(ies) that will be covered by this Plan: _____

4. Principal Business Activity _____
5. Federal Employer Identification Number (Must be 9 digits.) —
6. Primary Contact Person _____ Title _____
Phone _____ Fax _____ E-mail _____
Secondary Contact Person _____ Title _____
Phone _____ Fax _____ E-mail _____
7. Address (No PO Boxes) _____ City/ST/Zip _____
8. Effective date of Healthcare Account Plan(s)
 - A. A new plan effective as of (date) _____ B. Plan year end _____
 - C. Select plan type to be administered (check only one box). *Note: If both an HSA and FSA are administered, fees quoted include both plans.*
 HSA HSA and Limited FSA Limited FSA only FSA only
 - D. An amendment and restatement of a previously established HSA and/or FSA plan of the employer.
 - (1) This amendment and restatement is effective as of (date) _____
 - (2) Effective date of the original plan _____
 - (3) Plan number (consult last Form 5500, if filing was required) _____
9. Employer's Principal Office – This plan shall be governed under the laws of the State Commonwealth of _____
10. Total Number of Employees _____
11. Payroll is Prepared In-house Outsourced (specify payroll company) _____

Pricing and delivery

12. Fee for Participant Services: \$4.95 per month/participant – includes flex benefit card.
13. Fee for Annual Plan Compliance: \$45 per month.
14. Enrollment Kit is shipped UPS Ground within five business days of receiving completed application.

To be completed by referral source

Name of Referral Source _____ Affiliated Company _____
 Address (No PO Boxes): _____ City/ST/Zip _____
 City _____ State _____ Zip _____
 Phone _____ Fax _____ E-mail _____

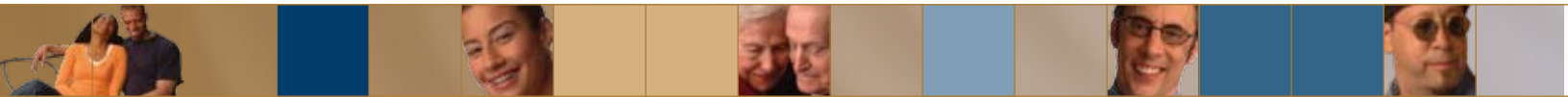
For MHM internal use Rep. # _____ Client # _____ Lead Source: BCBSM

BCBSM-HSAAPP1209

Complete this page and FAX it to MHM Resources at 866-672-3682

Questions? Call 1-877-887-6680

take care®



YOUR TOTAL FLEXIBLE BENEFITS SOLUTION

MHM Resources LLC, a WageWorks company, is dedicated to empowering organizations and individuals to get the most from their Flexible Benefits program.

We've been a national provider of Flexible Benefits administration services and systems for over two decades. You might remember us as Mayer Hoffman McCann, the independent CPA firm that founded our company and remains an integral part of our culture and heritage.

We specialize in Flexible Benefit solutions designed specifically for employers like you. We're backed by WageWorks, our parent company, the leading provider of tax-advantaged benefits in the United States.

The One-Stop Advantage

- No need to work with multiple administrators when offering employees more than one flex account option. MHM provides unique one-stop integrated administration services and support for employers whose plan has multiple flex benefit account types, i.e. a health account, dependent care account and commuter account.
- Single web access for you to track one or multiple plans.
- Single enrollment form for employees to enroll in one or multiple accounts.
- A single flex benefit card that allows employees to pay eligible expenses from one or multiple flex accounts.
- Single web access for employees to track one or multiple accounts.



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www.takecareplans.com/bcbsm

MHM Resources is an independent and separate company providing flex administration and related services to Blue Cross Blue Shield of Michigan members.