

<b>WHAT ARE THEY?</b>	<ul style="list-style-type: none"> <li>• Tax-favored, IRA-type savings accounts to pay qualified medical expenses</li> </ul>
<b>COMPONENTS</b>	<ul style="list-style-type: none"> <li>• HSAs consist of a high-deductible health plan (HDHP) and a savings account</li> </ul>
<b>AVAILABILITY</b>	<ul style="list-style-type: none"> <li>• Individuals and any size group, fully insured or self insured</li> </ul>
<b>ELIGIBILITY</b>	<ul style="list-style-type: none"> <li>• Any individual or employee covered by a High-Deductible Health Plan as of the first of any month. The individual or employee may not be eligible as a dependent on another person's tax return or may not be enrolled in Medicare.</li> </ul>
<b>HEALTH PLAN</b>	<ul style="list-style-type: none"> <li>• High-deductible health plan (HDHP) of a certain/specific design defined by law.</li> </ul>
<b>HDHP DEDUCTIBLE</b>	<ul style="list-style-type: none"> <li>• For 2009: minimum \$1,150 (individual) / \$2300 (family).</li> </ul>
<b>MAX OUT-OF-POCKET</b>	<ul style="list-style-type: none"> <li>• For 2009: maximum \$5,800 (individual) / \$11,600 (family) <ul style="list-style-type: none"> <li>› note: the above amounts indexed to CPI annually rounded to the nearest \$50</li> <li>› note: out of pocket maximums (in network) must include deductible, co-pays and coinsurance</li> <li>› note: only In Network deductible and max out of pocket are considered for the HSA.</li> </ul> </li> </ul>
<b>CO-PAY ALLOWED?</b>	<ul style="list-style-type: none"> <li>• No coverage prior to satisfaction of annual deductible, including Rx* (certain Preventive Care excepted)</li> </ul>
<b>CONTRIBUTION</b>	<p><i>With HSAs, "contributions" mean deposits to an individual's account.</i></p> <ul style="list-style-type: none"> <li>• \$3,000 for individuals / \$5,950 for families (for 2009) no matter what your HDHP deductible is.</li> <li>• For spouses with two plans, plan with lowest deductible counts for contribution <ul style="list-style-type: none"> <li>› note: contribution amounts are indexed to CPI annually and rounded to the nearest 50</li> </ul> </li> <li>• Catch-up contributions, rollovers from HSAs or MSAs in addition to contribution limit</li> </ul>
<b>ADDITIONAL CONTRIBUTIONS</b>	<ul style="list-style-type: none"> <li>• Additional or catch-up contributions available for those ages 55 and over who are not yet enrolled in Medicare.</li> <li>• Catch-up contributions in 2009 are \$1000 for each eligible individual and increase \$100 per year through 2010</li> <li>• When both spouses covered by HDHP, they may make two catch-up contributions</li> </ul>
<b>WHO MAY CONTRIBUTE?</b>	<ul style="list-style-type: none"> <li>• Individuals, Employees, Employers to Employee's accounts. Any person may contribute to another person's HSA.</li> </ul>
<b>FORM OF CONTRIBUTIONS</b>	<ul style="list-style-type: none"> <li>• May be made in one or more payments, same or different amounts up to tax-filing deadline</li> <li>• Contributions must be made in cash</li> <li>• Contributions may be made through a cafeteria plan</li> <li>• Contributions may be made through salary deduction</li> </ul>
<b>CONTRIBUTIONS</b>	<p><b>If an HDHP and Savings account are opened in 2009, the entire year's contribution may be made</b></p>
<b>COMPARABLE CONTRIBUTIONS</b>	<ul style="list-style-type: none"> <li>• An employer who contributes must make available the same dollar or percentage amount for all eligible employees (eligible meaning those covered by HDHP single and family coverage)</li> <li>• Contributions violating the Comparability rule subject to ordinary taxation and 35% excise tax for all amounts contributed during that period</li> </ul>
<b>DISTRIBUTION</b>	<p><i>In HSAs, "distribution" means withdrawal or spending from the HSA account.</i></p> <ul style="list-style-type: none"> <li>• Distribution for qualified IRC 213(d) expenses is tax-free</li> <li>• Distribution for other than qualified expenses is taxable and subject to 10% excise tax</li> <li>• Distribution for other than qualified expenses after age 65: not subject to penalty</li> <li>• Certain insurance premiums may be paid tax-free, but not health insurance premiums</li> </ul>
<b>TAXATION</b>	<ul style="list-style-type: none"> <li>• Individual/Employee contributions not includable in gross income.</li> <li>• Employer contributions deductible for employer.</li> <li>• Employer contributions tax-free to employees</li> <li>• Employer contributions through a cafeteria plan or salary reduction are tax-deductible to employer and no withholding</li> <li>• Employee contributions through cafeteria plan or salary reduction are tax-deductible and no withholding</li> <li>• Total contributions exceeding the maximum allowable limit are taxed and subject to 6% excise tax</li> <li>• Earnings on HSA accounts are tax-free</li> <li>• Tax-exempt status does not apply to state taxes in California</li> </ul>
<b>REPORTING</b>	<ul style="list-style-type: none"> <li>• Employer reports on W-2</li> <li>• Employee reports on new form 8889 and attaches to 1040</li> <li>• Trustee/Custodian may only accept cash deposits and usual IRS-required reporting as with IRA.</li> </ul>

This is an overview only and does not contain all of the HSA provisions. For detailed provisions, see Treasury Document 2004-2, 2004-50, 2004-71