Exploring the Benefits of a Health Savings Account (HSA)

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Exploring the benefits of a health savings account (HSA)

Today’s agenda:

– Cigna High Deductible Health Plan (HDHP) option
– Understanding an HSA
  – What it is
  – How it works
  – Why to consider it
  – How to get started
A unique and powerful combination

Cigna High Deductible Health Plan (HDHP)
- Higher deductible, lower premium
- Out-of-pocket maximum
- Covers preventive medical care
- Enrollment is required to open an HSA

Fidelity HSA®
- Individual brokerage account
- Pays for qualified medical expenses—for you, your spouse, and eligible dependents
- Tax-advantaged benefits
- Dartmouth College contributes
Deductibles and out-of-pocket maximum costs

Out-of-pocket max: $2,500 Individual/$5,000 Deductible – Employee + Spouse or Same Sex Domestic Partner, Employee + Children and Family (2 person or family)

Deductible: $4,000 Global out-of-pocket maximum – Individual/$8,000 Global out-of-pocket maximum - Employee + Spouse or Same Sex Domestic Partner, Employee + Children and Family (2 person or family)

For illustrative purposes only.
Unique, triple-tax advantage

Reason #1

- **Contributions**
  - Payroll deductions
  - Online transfer or personal check

- **Earnings**
  - Interest
  - Investment gains

- **Distributions**
  - For qualified medical expenses

Refers to federal tax treatment. State taxes may or may not apply. Consult a tax professional for state tax implications of an HSA.
It belongs to you

Reason #2
4 great reasons to consider an HSA

Unused money carries over

Reason #3
## HSAs vs. FSAs

<table>
<thead>
<tr>
<th></th>
<th>HSA—health savings account</th>
<th>FSA—health flexible spending account</th>
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</thead>
<tbody>
<tr>
<td><strong>Who qualifies</strong></td>
<td>Employees in an HSA-eligible health plan</td>
<td>Any eligible employee</td>
</tr>
<tr>
<td><strong>Who can contribute</strong></td>
<td>You, an employer, and other third parties</td>
<td>You and an employer</td>
</tr>
<tr>
<td><strong>2015 contribution limits</strong></td>
<td>$3,350*—individual coverage $6,650*—family coverage</td>
<td>$2,500</td>
</tr>
<tr>
<td><strong>Use it or lose it</strong></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Availability of savings</strong></td>
<td>Only what has been contributed</td>
<td>Entire annual election amount at any time during the coverage period</td>
</tr>
<tr>
<td><strong>Take it with you</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Long-term growth potential</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

*Employees age 55 or older can contribute up to an additional $1,000 as a catch-up contribution. This also applies to spouses if age 55 or older. Note, however, that spouses must open an HSA for their own catch-up contribution.
Long-term growth potential

Reason #4

This hypothetical example is illustrative and doesn't represent the performance of any security in a Fidelity HSA. Assumes the investor receives 2% investment growth on funds in the default investment option and that once the balance in this account reaches $2,500, excess funds will earn 7%. Actual net returns will be based on the investor’s investment choices within the Fidelity HSA. This example does not account for the effect of interest, dividends, and taxes. Systematic investing does not ensure a profit and does not protect against loss in a declining market. Consider your current and anticipated investment horizon when making an investment decision, as the illustration may not reflect this. The assumed rate of return used in this example is not guaranteed. Investments that have potential for a 7% annual rate of return also come with risk of loss.
Opening and using your Fidelity HSA®

Let’s explore:
- Eligibility requirements
-- Making contributions
- Paying for qualified medical expenses
- Investing
The Fidelity HSA

Eligibility requirements

- Enrollment in Cigna High Deductible Health Plan (HDHP) option
- You cannot be covered by any other health plan that is not an HSA-eligible health plan, such as:
  - Crosby Benefits Medical Flexible Spending Account
  - Spouse’s non-HSA-eligible health plan
  - Spouse’s health FSA
- You may not be enrolled in Medicare
- You cannot be claimed as a dependent on another person’s tax return
- You must have a valid U.S. address
Contributing to your Fidelity HSA

- Employee contributions
  - Pretax contributions—payroll deduction
  - After-tax contributions—online transfer or personal check
  - Asset transfers from another HSA

- Employer contributions
  - You must be enrolled in the High Deductible Health plan
  - Remember the money is yours to keep…..and can be used at any time for qualified medical expenses.
## Contribution limits

The total of all contributions cannot exceed IRS limits

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<tr>
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<tr>
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<td>Family</td>
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<tr>
<td>Annual HSA Contribution Limit</td>
<td>$3,300</td>
<td>$6,550</td>
</tr>
<tr>
<td>Additional Catch-up Contribution*</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

*If age 55 or older, not enrolled in Medicare, and otherwise an eligible individual.
Contribution considerations

How much should be contributed to an HSA?*

- Cover anticipated out-of-pocket medical expenses for the year
- Contribute more than needed in the short term for future medical expenses

*Contributions cannot exceed your maximum annual contribution limit.
Qualified medical expenses

What are they?

- Defined by the IRS
- Includes out-of-pocket expenses such as:
  - Health plan deductible and coinsurance
  - Most medical care and services
  - Dental and vision care
  - Prescription drugs
  - Medicare premiums

IRS Publication 502: Visit irs.gov/publications/p502 for a list of medical expenses that generally qualify for payment or reimbursement.
Easy access to your Fidelity HSA

Convenient payment and reimbursement options

- Fidelity HSA debit card
- Fidelity BillPay® for Health Savings Accounts
- Fidelity HSA checkbook
- Online transfer
Investing in your Fidelity HSA

A brokerage account with a wide array of investment options

For current qualified medical expenses
- Easy access to your money
- Keep enough in cash to cover your out-of-pocket expenses for the year

For future qualified medical expenses
- Think about paying for current health care expenses out of pocket
- Consider using a long-term investing strategy in line with your retirement accounts

A resource for help: Visit fidelity.com/guidance for help researching investments, including Fund Picks from Fidelity®.
Wrapping up

Let’s explore:
– Next steps
Ready to take your next step?

– Consider all of your health care options

– Visit NetBenefits® at netbenefits.com and Publications 502 and 969 at irs.gov for more information about HSAs and qualified medical expenses

– When you’re ready:
  ▪ Choose the Cigna High Deductible Health Plan (HDHP) as your medical plan on the FlexOnline system during Open Enrollment to make your benefit elections at benefits.dartmouth.edu
  ▪ Elect contributions through payroll deductions, if you choose
  ▪ Once enrolled, be sure to open your Fidelity HSA at netbenefits.com and follow the prompts

🌟 Establishing an HSA is not automatic. You must open your account in order for Fidelity to accept contributions, including those made by employer.
Important Information

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

Information on the tax status of contributions described in this presentation applies to federal taxation, but may or may not apply to state taxation. See your tax advisor for more information on the state tax implications for HSAs.

There are many factors that go into the determination of a maximum contribution amount to your HSA each year. One example to consider is that if your opposite-sex spouse has family HSA-eligible health plan coverage, you may need to take that deductible into account when determining your maximum annual contribution amount.

The materials presented during this HSA-eligible health plan and Health Savings Accounts Workshop contain general information regarding the terms of the HSA-eligible health plan, which are sponsored by your employer and its affiliated Companies (the “Company”). The benefits described in this workshop are available only to benefits-eligible employees. The language used in this workshop is not intended to create, nor is it to be construed to create, a contract between your employer and any one of its employees or former employees. In the event the content of this workshop and any oral or written representations made by any person regarding the HSA-eligible health plan, or any other plans sponsored by the Company, conflicts or is inconsistent with the provisions of the applicable plan document(s), the provisions of the applicable plan document(s) are controlling and will govern. Your employer reserves the right to change, suspend, withdraw, amend, modify or terminate the plan(s), in whole or in part, at any time.

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