



Options Blue HSA



# Health plan member guide

*For your high-deductible health plan and health savings account*

# Information at your fingertips

When it comes to information, if you want it, we've got it.

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Get it fast. Throughout this guide, you'll see two common symbols that call out important facts and common questions.

 Fast facts are short explanations or definitions

 Q&A sections reflect the most common questions that we receive from members

# Welcome to Options Blue

*Congratulations! You've taken an important first step in managing your health and your health care dollars by enrolling in the Options Blue health plan with a health savings account (HSA) from Blue Cross and Blue Shield of Minnesota. Here are a few of the perks you get with Options Blue:*

- **Reliable coverage.** Your Options Blue health plan provides coverage for all the things you'd expect; preventive care, prescription drugs, doctor visits, lab work and X-rays, surgery, emergency room visits — and much more — all at an affordable price.
- **Easy access to the doctors you choose.** Choosing a doctor is just that: a choice. And with Options Blue that choice is yours, because you get to see the doctors or specialists you want without a referral.
- **Control over your health care dollars.** Your health plan comes with a financial account, called an HSA that enables you to save money for future health care expenses. There are special tax advantages to your HSA, along with the opportunity to invest your unused account dollars. Your Options Blue HSA is administered by SelectAccount<sup>SM</sup>, a national leader in the administration of personal spending accounts, including HSAs. Turn to Section 3 to learn more.
- **Tools and resources.** To effectively manage your health care dollars, you need the right tools and information. Options Blue delivers what you need through the online member service center at [bluecrossmn.com](http://bluecrossmn.com) (look for the “myBlueCross: member self-service” link). You'll find tools to access and manage your HSA dollars, as well as information about doctors, prescriptions drugs, wellness, and cost of care examples.
- **Help when you need it.** Options Blue is probably different from other plans you've had in the past. But don't worry; we're here if, and when, you need us. You'll appreciate our dedicated customer service representatives who specialize in consumer-directed health plans like Options Blue, not to mention our self-service options like the online member service center (myBlueCross) and the automated phone system.
- **Peace of mind.** You'll benefit from the history and expertise of Blue Cross — Minnesota's first health plan — and can rest easy knowing you have the stability of Blue Cross behind you.

This Options Blue member guide will tell you everything you need to know about your new health plan and your HSA. From how to read your ID card, to setting up your HSA; it's all here, whenever you need it.

And, if you can't find the answers here, feel free to call your Blue Cross customer service team at the number on the back of your member ID card, or visit myBlueCross, the online service center, at [bluecrossmn.com](http://bluecrossmn.com).

# It's your money. Make it work for you.

*To make sure your HSA delivers the most bang for your buck, remember these options when deciding how to use your HSA and maximize your tax advantages.*

- If you can't make regular HSA contributions, contribute nothing to the account until you incur a medical expense. Then, when you do make a contribution, it will be tax free and you won't pay tax on the withdrawal if it's used to pay for an eligible health care expense.
- Make the maximum contribution allowed and take out only what you need for eligible expenses. This reduces your taxable income and gives you the benefit of making your health care expenses tax deductible.

- Make the maximum contribution allowed, but use non-HSA dollars to pay for your health care expenses (pay for them out of your own pocket). This allows you to maximize your deductions and gives you tax-free growth on your account.

*Before making any decisions about your contributions or investments, consult your tax advisor or accountant. Blue Cross and Blue Shield of Minnesota is not attempting to provide tax advice with this information.*

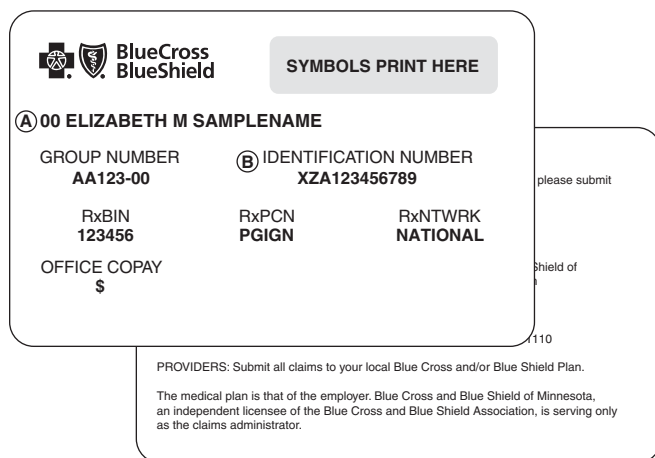
# You + Options Blue: The start of something new.

*You've taken the first step to becoming a more informed health care consumer by enrolling in Options Blue. We believe you made the right choice and we'll do our best to prove that to you every day. To get up and running with your new health plan and account, take the following simple steps.*

## Step 1: Get to know your Blue Cross member ID card

Your member ID card is like your passport to care. It tells your provider that you have coverage and gives them the information they need to submit your claims to Blue Cross. Your ID card also gives you access to valuable network discounts available only to Blue Cross members. Each family member will get a Blue Cross ID card like the one you see here. There are a few things to remember about your member ID card:

- Always carry your ID card with you



- Make a photocopy of your ID card and keep it in a safe place
- Have your ID card handy when you call customer service or visit myBlueCross at **bluecrossmn.com**
- If you lose your card and need to order another, call customer service at (651) 662-8000, or visit myBlueCross at **bluecrossmn.com**.

## Step 2: Register with myBlueCross

To ensure your privacy, Blue Cross has a two-step registration process for myBlueCross.

**First**, visit **bluecrossmn.com** and select “mybluecross: member self service” on the right of the screen. Then select “register to get started.” Once you’ve completed the registration form, an automatic request is generated for a secure PIN (personal identification number). Your secure PIN will be mailed to you within 10 days of your online registration.

**Second**, when you receive your secure PIN from Blue Cross, return to myBlueCross to complete your registration.

## Step 3: Set up your HSA

If you haven’t already done so, you’ll need to set up your HSA. Don’t worry, it’s a simple process and we’ll be there to help, if needed. You can complete your HSA application online at **bluecrossmn.com** (look for the myBlueCross link) or at **www.selectaccount.com** (look for Forms & Materials). Once you’re a registered user, you can use either site to manage your HSA and your Options Blue health plan. If you prefer, you can also download all the forms you need online at either site and complete them in hardcopy form.



### Fast Fact

You have the option to complete your HSA application online or by downloading and printing the forms from **bluecrossmn.com**.

**First**, complete these required forms

- **HSA Application** — This form is required to set up your HSA. If you’ve purchased Options Blue as an individual (not through your employer), don’t forget to select your fee option and sign your application.

➤ **HSA Contribution form** — This form is used to make a contribution to your HSA. Contributions can be made monthly, annually, or in a different timeframe if you prefer. You can choose to fund your account now, or later in the year.

**Second**, choose your optional features

Your HSA is from SelectAccount and it comes with many features and options that make it easy to use. When you open your HSA, you can choose to sign up for the following features:

➤ **Automatic Claims Reimbursement (crossover)** — This enables Blue Cross and Blue Shield of Minnesota to electronically submit claims to SelectAccount for reimbursement to you. *That means no paperwork for you!* **Remember, you should not sign up for crossover if you have other health coverage or if you sign up for the HSA debit card.**

➤ **Direct Deposit** — If you choose, SelectAccount can deposit your reimbursement directly into your checking or savings account. Not only does this save you time, but in most cases, you'll get reimbursed sooner.

➤ **HSA Debit Card** — The debit card is included at no cost if you have the SelectAccount Basic Saver or Premium Saver HSA. Your HSA debit card gives you and your eligible dependents immediate access to available HSA funds at point of service. Additional fees apply with the Thrift Saver option.

**Third**, submit your forms to SelectAccount

Once you've completed the forms, please return them to SelectAccount at the address noted on the forms, or submit them electronically, if you're completing the application process online.

Please allow five to seven business days for SelectAccount to process your information. You'll receive a welcome packet that includes a Verification Form from SelectAccount once your HSA is set up.

## Need help?

If you have any questions, call your Blue Cross customer service team at the number on the back of your member ID card.

## Deciding if crossover is right for you.

Sign up for crossover if ... you plan to use the money in your HSA to pay for medical expenses. In this case, crossover is a surefire timesaver.

Don't sign up for crossover if ... you want to save the money in your account for future expenses (or retirement), if you want to pick and choose when to use it for expenses, or if you have the HSA debit card. Instead, submit your reimbursement requests manually or choose the HSA debit card option.

## Spend or save? Know your HSA options

Your Options Blue HSA gives you the opportunity to pay for eligible health care expenses now, or save your money for future expenses. There are two ways to save with your HSA:

- Pay for your health care expenses out of your own pocket and let your HSA dollars earn interest and grow tax-free
- Activate your HSA Basic Investment Account once your HSA Base Balance exceeds \$1,000 and begin investing your unused HSA dollars (read more about your HSA investment options in Section 3, page 28)

Deciding how to use your HSA — spend, save or invest — can be a big decision. How do you know what's right for you? Start by asking yourself these questions:

- Do you anticipate that you and your family will have many health care expenses that you can't cover out of your own pocket?
- Do you think you'll be able to let your HSA dollars accumulate, or will you need to use the account to pay for eligible medical expense?
- If this is not your first year with an HSA, what is your average account balance?
- If you decided to invest, are you willing, and financially able, to take on the risk that comes with investing?

If you're able to let your HSA balance grow, then investing or saving could be a good move for you. However, if you have a lot of health care expenses on a regular basis and need to use your account to pay for those expenses, then you can leave the money in your HSA Base Balance where it will earn interest.

## What does it mean?

**HSA** = health savings account

**HRA** = health reimbursement account

**FSA** = flexible spending account

**HDHP** = high-deductible health plan

**EOB** = explanation of benefits

**EOP** = explanation of payment

# Your health plan

## Explanation of Benefits

Once you begin using your health plan, you'll receive information from Blue Cross about your claims. This information will come in the form of a health plan Explanation of Benefits, or EOB. Your EOB is full of information, including the care you received, the amount that was covered by your Options Blue health plan, and the amount you owe your doctor.

The EOB is not a bill. Your doctor will bill you separately for any amounts owed. If you're enrolled in crossover, our automatic claims reimbursement feature, Blue Cross will submit the health care claim to SelectAccount and

you'll automatically receive reimbursement from your HSA for the amount you owe, as long as there is money available in your account. You're still responsible for paying your doctor. If you're not enrolled in crossover, you'll need to submit claims manually to SelectAccount to receive reimbursement from your HSA.

You'll also receive a summary of your HSA activity from SelectAccount. This will be called an Explanation of Payment (EOP) and you'll receive it when you make a withdrawal from your HSA for an eligible health care expense (or when you receive reimbursement, if you have crossover). Your EOP is not a bill, but rather an explanation of what was paid from your account.

**BlueCross BlueShield of Minnesota**  
An Independent Member of the One of the United Way

P.O. Box 64560  
St. Paul, MN 55164-0560

**Explanation of Health Care Benefits**  
**THIS IS NOT A BILL.** This is an explanation of the claim processed on your plan benefits in effect when the service was performed. Please keep this form for your tax records.

Year to Date Deductible: \_\_\_\_\_  
Customer Service - Please Call: \_\_\_\_\_

| Patient ID | Group/Policy | Date Processed | Claim Number |
|------------|--------------|----------------|--------------|
|            |              |                | <b>A</b>     |

Subscriber/Member Name: \_\_\_\_\_  
Patient Name: \_\_\_\_\_  
Provider: \_\_\_\_\_  
Patient Control Number: \_\_\_\_\_

| Dates of Service | Description of the service provided | From | To | From | To |
|------------------|-------------------------------------|------|----|------|----|
|                  |                                     |      |    |      |    |

| Description | Charges | Amount Paid by Other Insurance | Deductible Amount | Copay Amount | Coinsurance Amount | Paid Amount | Patient Noncovered Amount | Amount You Owe |
|-------------|---------|--------------------------------|-------------------|--------------|--------------------|-------------|---------------------------|----------------|
|             |         |                                |                   |              |                    |             |                           |                |

Notes: ID \_\_\_\_\_  
Notes \_\_\_\_\_

Total Charges: \_\_\_\_\_  
Total Benefit Amount: \_\_\_\_\_  
Total Amount Paid by Other Insurance: \_\_\_\_\_  
Total Amount You Owe: \_\_\_\_\_

**D**

Sample Explanation of Benefits (EOB) from your health plan

**When reviewing your statements, make sure that your claim numbers (A and B) match, as well as the dollar amount submitted to your account (C and D)**

**SelectAccount™**  
FAMILY OF PRODUCTS

**HEALTH SAVINGS ACCOUNT**  
Payment Activity Report

Group Number: 001234  
Group Name: ABC Company  
Location: SA1234567  
Date: mm/dd/yyyy

Subscriber Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_

**CLAIM DETAIL**

| Reference Number* | Type of Claim | Date(s) of Service | Insurance Plan EOB Number | Type of Service | Submitted Expense | Paid Expense |
|-------------------|---------------|--------------------|---------------------------|-----------------|-------------------|--------------|
| 3457947           | Medical       | 04/01 - 04/05/05   | 1234567891000             | Lab/X-Ray       | 75.00             | 75.00        |
| 3457948           | Medical       | 04/12 - 04/12/05   | 3264549846000             | Supp/Drug       | 32.00             | 32.00        |

Reimbursement Amount = **\$107.00**

\* SelectAccount Reference Number - Please refer to this number if you call Customer Service with questions.

**BALANCE SUMMARY**

| Plan Year               | Available Rollover | Employer Contribution | Year to Date Reimbursements | Account Balance |
|-------------------------|--------------------|-----------------------|-----------------------------|-----------------|
| 01/01/2004 - 12/31/2004 |                    | \$500.00              | \$293.53                    | \$206.47        |
| 01/01/2005 - 12/31/2005 | \$206.47           | \$500.00              | \$107.00                    | \$599.47        |

Please call Customer Service at (651) 662-5065 or 1-800-859-2144 if you have any questions regarding this report. Service Representatives are available 7 a.m. to 7 p.m. Monday through Friday (Central Time).

**Summary of your account activity**

**Reimbursement amount you will receive**

Sample Explanation of Payment from your health savings account

# Your Options Blue health plan

*Options Blue is a qualified high-deductible health plan (HDHP) from Blue Cross and Blue Shield of Minnesota. It's probably different from other health coverage you've had, and we think that's a good thing. An HDHP like Options Blue is designed to work with a financial account that is approved and regulated by the Internal Revenue Service (IRS). Here are some of the features of your Options Blue plan:*

- Large provider network
- No referrals required
- Individual control of health care decisions
- Expenses incurred against deductible may be reimbursed from the HSA
- Compliant with all state mandates, including prenatal and well-child care
- Includes preventive care



## Fast facts

HDHP stands for “high-deductible health plan,” which is a health plan that meets certain IRS requirements and can be paired with a financial savings account.

## Health plan membership eligibility

Your Options Blue health plan meets the following criteria, which gives you the opportunity to open an HSA to help pay for eligible expenses.

### Minimum deductible levels for 2007 and 2008:

- \$1,100 single, in-network deductible
- \$2,200 family, in-network deductible

| Maximum out-of-pocket levels for 2007: | Maximum out-of-pocket levels for 2008: |
|--|--|
| \$5,500 single, in-network             | \$5,600 single, in-network             |
| \$11,000 family in-network             | \$11,200 family, in-network            |

- All services must apply toward the deductible (including prescription drugs), with the exception of preventive care.
- There can be individual (embedded) deductible(s) on family policies, as long as the individual deductible is not less than the minimum family deductible amount established by HSA law (\$2,200 in 2007 and 2008).

Family deductible examples  
(actual dollar amounts will vary – those used here are for illustrative purposes only)

|  | HSA-compliant deductible structure for a family health plan with an embedded individual deductible  | HSA-compliant deductible structure for a family health plan  |
|--|---|--|
| <b>Individual deductible</b>   | \$2,500   | None – individual accumulations apply toward an aggregate family deductible  |
| <b>Family deductible</b>   | \$5,000   | \$5,000  |
| <b>Example:</b><br>Husband and wife on health plan. Husband incurs \$2,700 in claims during year; wife incurs \$500 in claims during year. | Husband meets \$2,500 individual deductible, then the remaining \$200 is paid at coinsurance or 100% (depending on plan design). Wife meets \$500 toward her individual deductible. Total family deductible met is \$3,000. | Husband meets \$2,700 toward the family deductible. Wife meets \$500 toward the family deductible. Total family deductible met is \$3,200. |

The deductible and out-of-pocket maximum benefits are subject to annual adjustment for all of the high-deductible health plans at every level. These adjustments are effective on the annual renewal date.



## Frequently asked questions: Eligibility

**Q: What happens if, at some point in the future, I am not covered by an HDHP or I terminate my group coverage through my employer?**

A: If you or your employer change health plans and the new plan is not an HDHP, you may continue to use your HSA for eligible medical expenses, but you cannot make additional contributions for any month during which you were not covered under an HDHP.

**Q: Is the HDHP portable?**

A: If quit your job, your medical coverage may be continued through COBRA, and this coverage would remain an HDHP. Once COBRA cover ends, you may apply for portability coverage.

**Q: If I or my employer change health plans mid year, from a non-HSA compliant plan to an HSA-compliant plan, can any amount met toward the deductible under my old plan be applied to my new deductible under the HSA plan?**

A: Yes, any amounts that were applied to your deductible within the same calendar year or within the same plan year from a non-HSA plan to an HSA plan will carry over and be applied to your new health plan deductible.

## Networks and doctors

When you need medical care, you should be able to see the doctor you want, when you want, right? You'll be happy to know that Options Blue is an open-access health plan, which means you have the freedom to see the doctor or specialist of your choice – without a referral. You can ask your doctor for a recommendation or find a specialist with the “Find a doctor” feature at [bluecrossmn.com](http://bluecrossmn.com). Not sure about your provider choice? Find quality ratings for providers and facilities, as well. Simply sign in to myBlueCross at [bluecrossmn.com](http://bluecrossmn.com) and look for the “Healthcare Facts®” and “HealthGrades” links in the “Choosing Care” section.



## Frequently asked questions: Your Options Blue health plan

### Q. What is an Explanation of Benefits?

A. An Explanation of Benefits (EOB), is a statement that Blue Cross sends you after they have processed a claim on your behalf. The EOB provides details on the services you received, how much those services cost, how much your health plan paid against those charges, and how much is your responsibility. The EOB is not a bill. Your doctor will send you a bill based on the EOB. As an Options Blue member, you'll receive an EOB from Blue Cross and an Explanation of Payment (EOP) from SelectAccount that describes how each claim was processed from your HSA.

### Q. How can I tell if someone needs emergency care?

A. A medical emergency is a sickness or injury so serious that failure to get immediate care could put a person's life in danger or cause serious harm. Some examples include:

- Possible heart attack (severe chest pain or pressure)
- Uncontrollable bleeding
- Breathing problems
- Poisoning
- Unconsciousness

If it's reasonable for you to believe that your symptoms indicate a medical emergency, get immediate care. Call 911 or go to the nearest emergency facility. Emergency care benefits are the same for network and out-of-network providers.

### Q. What if it's not an emergency but I need to see a doctor before the next workday?

A. As an Options Blue plan member, you can call the 24/7 nurse advice line at 1-800-622-9524, which gives you access to trained medical professionals. The nurse line can help you decide if you need medical attention, or if your needs can be met using over-the-counter medications or home therapies. You can also call your doctor or clinic — even if it's after regular office hours. Most clinics have on-call staff to direct your care and discuss alternatives. Some clinics may offer extended evening or weekend hours. Or your clinic may include an urgent care department.

### Q. What if I get sick while I'm traveling?

A. In an emergency, call 911 or go to the nearest emergency facility. For other care that can't wait until you get home, take advantage of the BlueCard® national network.

Go to [bluecrossmn.com](http://bluecrossmn.com) and select BlueCard network under "Choosing Care" You can also call 1-800-810-BLUE (2583).

- Benefits will be paid at the in-network level if you use a BlueCard provider
- Be sure to show your member ID card when you receive care

### Q. Will I have coverage if I travel outside the United States?

A. Yes, up to the limits shown on your benefit summary. Just visit myBlueCross at [bluecrossmn.com](http://bluecrossmn.com) before you travel to learn how to use your coverage abroad, or call customer service at the number on the back of your member ID card.

### Q: Why am I getting a bill from my doctor?

A: You're responsible for paying your deductible and any out-of-pocket expenses (including coinsurance) that you incur at the doctor's office or pharmacy. Your doctor will send you a bill for the amount that you owe after Blue Cross has processed the claim and applied any discounts that you receive for being a Blue Cross member. You can use your HSA dollars to pay these expenses.

### Q: Will I have to pay my doctor before I receive reimbursement from my HSA?

A: It's possible that you may have to pay your doctor before you're reimbursed; however, if you have crossover you'll usually receive your reimbursement before you receive the bill from your doctor. If you need to make special payment arrangements with your doctor or clinic, be sure to call the clinic's business office. Any late charges are your responsibility and while these fees are reimbursable by your HSA, they are considered ineligible expenses and will be subject to income tax and a 10 percent penalty.

**Q: Why didn't I have to pay for my prescription at the pharmacy?**

A: If you enrolled in crossover and you have money in your HSA, the dollars in your account will be used to cover the cost of the prescription when you visit the pharmacy, which means you pay nothing out of pocket when you pick up your prescription.

**Q: Why did I have to pay for my annual checkup? I thought I had 100 percent coverage.**

A: Many plans pay for preventive care at 100 percent. But, check your Summary Plan Description or call Blue Cross customer service to learn more about your preventive benefits. These resources can also help you verify which services count as preventive care.

**Q: Why did I receive a check in the mail from SelectAccount? Who is SelectAccount? I thought I had Blue Cross coverage?**

A: Your health plan coverage is with Blue Cross. But SelectAccount is the administrator of your HSA (and FSA, if you have one). SelectAccount processes your reimbursement claims and will either send you a check for the amount requested, or deposit the money into a checking or savings account. The choice is yours. SelectAccount also administers important HSA features like crossover and your HSA investment options.

**Fast facts**

Did you know that your Blue Cross ID card gives you access to discounts on health care services wherever you receive care? It's true. As an Options Blue member you reap the benefits of discounts that Blue Cross has negotiated with health care providers even during the deductible phase. That means you pay less for the care you receive just because you're a Blue Cross member.

**Your rights as a health plan member**

- To receive quality health care that's friendly and timely
- To be treated with respect and dignity
- To receive all medically necessary covered services when your health care providers feel they're needed
- To receive information about different treatments and how they can help or harm you, whether or not your health plan would pay for these treatments
- To refuse treatment
- To be informed of, and active in, decisions about your treatment
- To receive information about the health plan organization, its services, and the network of health care providers
- To make a list of instructions about your health treatments (called a living will); to name the person who can make health care decisions for you
- To have your medical and financial records kept private
- To have a resource at the health plan you can contact with any concerns about services; to receive a prompt and fair review of your complaint

**Your responsibilities as a health plan member**

- To know your health plan benefits and requirements
- To follow the treatment plan or talk to your providers if you're unable to do so
- To provide a complete health background to help your provider diagnose and treat you
- To give proof of coverage each time you receive services; to update the health plan with any personal changes
- To pay any copays when you receive services; to promptly pay deductibles, coinsurance and charges for services not covered
- To keep appointments for care or to give early notice if you need to cancel

# Managing your health: health and wellness programs

What would your life be like if you stopped smoking? Lost weight? Got your blood pressure under control? Managed your diabetes? The answer is obvious, but sometimes it's not so easy. Now, you have help. As an Options Blue member, you can take advantage of BluePrint for Health® programs that can help you live better. Our health and wellness programs give you the support and resources you need to make positive changes in your health. All Blue Cross members have access to these important programs:

- **BluePrint for Health stop-smoking program**, the award-winning program that helps smokers quit in their own way and at their own pace. To sign up or to learn more, call 1-888-662-BLUE (2583) from 7 a.m. to 11 p.m. Central Time any day of the week
- **BluePrint for Health online wellness center**, a rich resource with tools and information like self-care centers that focus on specific conditions. The online wellness center is available in myBlueCross, the online member service center at [bluecrossmn.com](http://bluecrossmn.com).
- **Case management nurses** who can help you manage complex medical problems, including getting the care you need, communicating with family members and doctors, and more.
- **Online health assessment and interactive coaching modules**, available through myBlueCross, help you understand your health risks and give you the information and tools to change your health behaviors.

Depending on your plan design, there may be additional BluePrint for Health programs available to you. **Visit myBlueCross to find out what programs your employer has made available to you.** In the meantime, here's a preview of what we have to offer:

- **BluePrint for Health care support** — personal assistance for members with long term conditions that can help them improve their quality of life and better manage their care

- **BluePrint for Health employee assistance program** — confidential telephone counseling for you and your family
- **BluePrint for Health fitness discounts** — monthly credit toward your fitness center dues for working out 12 or more days per month at participating fitness centers
- **BluePrint for Health custom solutions** — tailored support to improve or maintain your lifestyle habits. Check with your employer for availability.
- **24/7 nurse advice line** — access to qualified medical professionals 24/7 via telephone
- **Healthy Start® prenatal support program** — offers mothers-to-be personal support from specially trained obstetrical nurses to help you through pregnancy and to improve your chances for a healthy, full-term delivery

## Online tools and resources

Let's face it. Life happens outside of the nine-to-five workday. And to manage your health and your money, you need resources and information. With myBlueCross, you get both. Use myBlueCross any time, any day for tools to help you make smart health care decisions and manage your accounts.

### Health decision tools

- **Quality ratings:** Get information about provider quality and compare hospitals
- **Medical costs:** Find out estimated cost ranges for medical procedures in your area
- **Prescription drugs:** See what prescription drugs are covered and compare the cost of brand-name and generic drugs. You can also find a pharmacy and learn how to get prescriptions by mail.
- **BluePrint for Health Online:** Get information about a wide variety of medical information and tools including:
  - Self-care centers for special conditions like asthma and diabetes
  - A pregnancy center to help you plan for your big event
  - A weekly customized e-mail newsletter

## Account and health plan management tools

- **About your health plan:** Get information and details about your benefits, your health improvement programs, and who's covered under your account
- **Check claims and manage your accounts:** Check the status of claims, monitor deductibles and view EOBs
- **Get forms:** Enroll or cancel your enrollment in features like crossover and automatic deposit, submit claims
- **Find a doctor:** Find a doctor in your area, create a customized provider directory, and search for a doctor by name, location or specialty
- **24-hour e-mail customer service:** Send questions to our highly trained customer service specialists any time of day or night
- **Manage and monitor your investment account:** Check the balance in your HSA investment account and designate future contributions to the investments of your choice

## Prescription drugs

As an Options Blue member, you have access to nearly 55,000 pharmacies, including several national chains. You can get your prescription drugs in three different ways:

- Visit a participating retail pharmacy of your choice
- Use our 90dayRx prescription drug program. You can enroll in this program at myBlueCross.
- Visit [www.MyRxHealth.com](http://www.MyRxHealth.com) to order refills of existing prescriptions online. This feature is not available for new or one-time-only prescriptions.

When you're getting a prescription filled, have your member ID card handy. Your pharmacist will enter your health plan information at the time your prescription is filled. Prescription drug benefits vary from plan to plan, which means you may need to pay for part or all of the cost of your prescription at the time of purchase. Your Summary Plan Description or Certificate of Coverage will tell you how much your health plan will pay for retail and mail-order prescription drugs.

## Mail-order convenience

If you're taking a prescription drug on a long-term basis, you can take advantage of the convenience and savings of the 90dayRx prescription drug program. With 90dayRx you can save money at both the pharmacy and when ordering prescriptions online. Here are some pointers to make sure 90dayRx works for you:

- Fill out the forms completely
- Provide a phone number or e-mail where you can be reached during the day
- Have your doctor provide the maximum quantity allowed by your benefit
- Ask your doctor to prescribe your medication by its generic name
- If you see a nurse practitioner, physician's assistant or other non-physician prescriber, ask them to include the overseeing practitioner's name and DEA number on the prescription form
- If you're submitting a prescription for a controlled substance, you must include a written prescription from your physician



### Fast Facts

To find a pharmacy near you, call 1-800-509-0545.

## Generic drugs: a cost-effective option

If you could buy the same quality product for less money, would you do it? Of course. When it comes to prescription drugs, the same approach applies. Here's what you should know about generic drugs.

- **A generic drug is manufactured and sold by a company other than the company that originally created it or the original patent-holder.** For example, the company that developed acetaminophen gave it the brand name Tylenol. When the patent on Tylenol expired, other companies started to make the generic version. Although generic drugs are chemically the same as brand-name drugs, they are typically sold for much less money than the brand-name drug.
- **Not all brand-name drugs have a generic equivalent available. That's why it's important to ask your doctor.** If there's a generic available, your doctor can prescribe it instead of the brand-name drug. Of course, depending on certain circumstances, your doctor may feel the brand-name drug is the most appropriate medication for you, instead of an available generic. Talk with your doctor to find out what's best for you.
- **Unlike some "generic" products on the market like paper goods or groceries, generic drugs must meet the rigorous standards of the U.S. Food and Drug Administration (FDA).** In fact, any generic drug brought to market must be identical or "bioequivalent," to its brand-name counterpart in dosage form, safety, quality, performance, strength and usage.
- **Generic drugs work just as quickly as brand-name drugs.** In fact, generic drugs must deliver the same amount of active ingredient in the same timeframe as the brand-name drug. Once you take it, it works just the same way as a brand-name drug.



## Frequently asked questions: Generic drugs

### Q: How can generics cost less?

A: They do not require the same costly research, development, sales and marketing investment as brand-name drugs. While brand-name drugs are under patent (typically 20 years), the original drug developer recoups costs by charging more. When the patent expires, other makers may begin producing and selling the drug using the generic name. Generic manufacturers must comply with the same federal quality standards as brand-name manufacturers.

### Q: What about generic drug side effects?

A: All drugs — brand name or generic — have the potential for side effects. The active ingredients in a generic must be the same as the brand-name drug; inactive ingredients such as flavors and preservatives may differ. Side effects may vary based on these differences. The FDA has found no difference overall in side effects between generic and brand name drugs.

### Q: Why aren't all my prescriptions for generic drugs?

A: Not all drugs have a generic equivalent available. Also, your doctor may feel that, depending on certain circumstances, the brand-name drug is the most appropriate medication for you.

### Q: Do generic drugs look different from brand-name drugs?

A: Yes. For legal reasons, a generic drug is different from the brand-name drug in size, color and shape to distinguish it from the brand-name drug.

### Q: Am I missing out on newer and better drugs if I take a generic?

A: Only your doctor can advise you on whether a new drug can more effectively treat a condition. In many cases, generic drugs remain the doctor's first choice even when new drugs appear on the market. Talking with your doctor about your prescriptions is always the best course of action.

# Your health. Your money. Your choices.<sup>SM</sup>

*Most of us pay at least a portion of our medical expenses each year. Your expenses may be significant some years and other years you may spend very little. Your Options Blue HSA is a financial account that can help you pay for eligible medical expenses.*

Once you've set up your HSA, you can use the money to pay for your deductible and other expenses. If you don't use all the money in your account, the balance "rolls over" to the following year. Those dollars continue to earn interest and are available to pay for eligible medical expenses — as the balance grows, you even have the option to invest a portion of the funds. Who could ask for more?

## HSA eligibility

You're eligible to establish an HSA if you meet one of these criteria:

- You're an employee (or spouse of an employee) of any employer that maintains an individual or family HSA compatible HDHP covering that individual (the employee or spouse).
- You're an individual (or spouse) who purchases an individual or family-qualified HDHP covering that individual or spouse.

As an individual, you can contribute to more than one HSA; however, your total contributions may not exceed the annual limit. (See page 14 for contribution limits.)

There are, however, a couple of exceptions to these criteria:

- If you're claimed as a dependent on someone else's taxes, you cannot establish an HSA

- You're ineligible for an HSA if you're covered under a health plan (whether as an individual, spouse, or dependent) that is not an HDHP, including being enrolled in Medicare

### How Medicare affects your HSA

If you have an HSA at the time you enroll in Medicare coverage, there are a few things you should know:

- You can't contribute to your HSA once you're enrolled in Medicare
- If you plan to enroll in Medicare coverage part way into the year, your HSA contributions will be prorated based on the number of months that you were covered by an HDHP. For instance, if you enroll in Medicare in April, you can contribute only  $\frac{1}{4}$  of the annual maximum to your HSA.
- You can continue to spend or invest the money in your HSA
- If your spouse is not enrolled in Medicare and has an HSA, they can contribute up to the annual family maximum for the year between the two accounts. However, you have to maintain family coverage under a qualified HDHP to do so.

As an Options Blue member, you may also enroll in the following types of plans while still maintaining your HSA eligibility:

- Accident coverage
- Disability coverage
- Dental care
- Vision care
- Long-term care insurance
- Insurance for a specified disease or illness
- Insurance that pays a fixed amount per day (or other period) of hospitalization
- Insurance under which substantially all of the coverage provided relates to liabilities from workers' compensation laws, torts, or ownership or use of property (such as automobile insurance)

However, if you're enrolled in an HDHP, you can't have other health coverage, including Medicare, unless it is also a qualified high-deductible plan, as defined by federal law.

### What is an HSA?

An HSA is a tax-preferred trust or custodial account established under Internal Revenue Code Section 223 that is used to pay for medical expenses. HSAs work hand in hand with an HDHP.



## Frequently asked questions: HSA eligibility

### Q: Can business owners who are not eligible for a health reimbursement account (HRA) establish an HSA?

A: Yes. This includes owners of S corps, sole proprietors, LLCs, LLPs and partnerships. These individuals can fund the HSA using personal (not company) dollars and cannot participate in a cafeteria plan. We recommend you consult your tax advisor in this situation, as special rules apply.

### Q: If someone is enrolled in Medicare, are they eligible for an HSA?

A: If you're enrolled in a Medicare program you cannot establish a new HSA or contribute to an existing HSA. You can, however, spend down your existing HSA. In addition, if you decline Medicare coverage when you turn 65, you can contribute to an HSA.

#### Fast Fact

When you enroll in Medicare, you are no longer eligible to make contributions to your HSA. You can, however, spend down your HSA balance or save it for future expenses. See the sidebar on page 13 and the Q&A above for more information. Pre-65 retiree? You can still contribute to your HSA. Employment is not a factor in whether you can contribute.



# Contributions to your account

An individual, an employer or both can make contributions to an HSA. As an employee, you won't pay tax on contributions that your employer makes to your account, and you won't pay tax on contributions that you make through a company-sponsored cafeteria plan (if one is offered by your employer). As an individual, you can make post-tax contributions and itemize them as an above-the-line deduction when you complete your tax return, even if you don't itemize deductions.

➤ **Note:** If you make an HSA contribution with post-tax dollars, you will need to claim the federal tax deduction on your federal tax return. Contributions made by an employer or by you through a cafeteria plan are excluded from your gross income, are not subject to withholding for income tax, and are not subject to other employment taxes (for example, Social Security tax).

➤ **Note:** Contributions to an HSA must be made in cash and are voluntary.

Current contribution information can be found on the U.S. Department of Treasury web site at [www.treas.gov](http://www.treas.gov). Generally the maximum annual HSA contribution limits for an eligible individual without catch-up contributions are:

| 2007 limits                | 2008 limits                |
|----------------------------|----------------------------|
| \$2,850 for self-only HDHP | \$2,900 for self-only HDHP |
| \$5,650 for family HDHP    | \$5,800 for family HDHP    |

**Note:** You can make a one-time, tax-free transfer from an existing IRA to your HSA. This transferred amount counts toward your maximum annual HSA contribution. The amount transferred is limited to the maximum HSA contribution amount for the year. To complete an HSA transfer, visit [www.selectaccount.com](http://www.selectaccount.com) and download the form called the One-time IRA to HSA Rollover Request Form.

## Top reasons to contribute to your HSA

- Contributions can be made through a cafeteria plan on a pre-tax basis. You can also make tax-free withdrawals from your HSA to pay insurance premiums for the following: Medicare (except Medicare Supplement policies), long-term care coverage, health coverage while receiving unemployment benefits, health care continuation coverage required by federal law, (COBRA, or USERRA) and premiums for health coverage once you reach age 65 (retiree medical plan).
- Contributions remain in the HSA from year to year until they are used. There is no “use-it-or-lose-it” provision as there is with an FSA.
- Contributions can be made by an employer, an employee, or both within the same tax year
- Individual contributions are tax deductible; employer contributions and employee contributions through a cafeteria plan are excluded from taxable income
- Money accumulates tax free, with interest paid on those dollars that have not been invested
- Funds can be withdrawn tax free to pay for qualified medical expenses
- Funds can be used for non-qualified expenses, but taxes and penalties will apply
- The HSA belongs to you, no matter where you work

| For the tax year:         | The additional contribution is: |
|---------------------------|---------------------------------|
| 2007 .....                | \$800                           |
| 2008 .....                | \$900                           |
| 2009 and thereafter ..... | \$1,000                         |

## Rollover contributions

Rollover contributions to an HSA are permitted as long as the source of the rollover funds is another HSA or medical savings account (MSA). A rollover of HSA or MSA funds must be completed within 60 days from the date of receipt to avoid taxation. Only one rollover every 12 months is permitted. If you make a rollover contribution, you must certify to the trustee, in writing, that you are making a rollover contribution. Once made, the certification is irrevocable. You are also allowed a one-time transfer from a medical FSA with a grace period or HRA, into an HSA, as long as you had one of these accounts on Sept. 21, 2006. The amount that can roll over is the lesser of your FSA and/or HRA balance as of Sept. 21, 2006 or your balance as of the transfer date. These types of transfers are only allowed through January 2012.

- This requires plan design changes by an employer to be allowed
- These transfer amounts do not count towards your maximum annual HSA contribution
- If you and your spouse both have an HSA, you cannot rollover money between your accounts

### Fast Fact



A “grace period” is a feature that can be elected by an employer for a company-sponsored FSA. A grace period gives you up to 75 additional days to incur expenses. A “run-out period” gives you additional time to submit claims for reimbursement.

## “Catch-up” contributions

People 55 and older who are eligible to contribute to an HSA can contribute an additional \$800 (in 2007). In 2008, the catch-up contribution will be \$900. If you had HDHP coverage for the full year, you can make the full catch-up contribution regardless of when your 55th birthday falls during the year. If you did not have HDHP coverage for the full year, but can satisfy the testing period, you can still make the entire catch-up contribution amount. A spouse who is in the same situation can also make an additional contribution to his or her own HSA based on the following contribution schedule:

## Maximize your tax benefits with your HSA

Trying to decide how much money to contribute to your Options Blue HSA? Here are some potential approaches to consider when determining what's best for your personal situation. **Before making any decisions about your contributions or investments, consult your tax advisor or accountant. Blue Cross and Blue Shield of Minnesota is not attempting to provide tax advice with this information.**

**Option 1:** Contribute nothing to the account until you incur a medical expense. This strategy could be appealing if you're on a tight budget because you're not making regular contributions to your account. Yet, when you do make a contribution, it will be tax deductible and you will not pay tax on the withdrawal if it's used to pay for an eligible health care expense.

***A word of caution: Your HSA must be set up before you can begin incurring expenses. Expenses that were incurred before the HSA was established cannot be submitted for reimbursement. You must at least make a small contribution at the time the account is set up.***

**Option 2:** Contribute the maximum amount to the account and take out only what you need for eligible expenses. This reduces your taxable income and gives you the benefit of making your health care expenses tax deductible.

**Option 3:** Contribute the maximum amount to the account, but use a non-HSA account to pay for your expenses. Then, reimburse yourself at a later date. This allows you to maximize your deductions and gives you tax-free growth on your account.

## Eligible expenses

Your Options Blue health plan likely covers all of the health care expenses that you've come to expect. Things like preventive care, lab and X-ray, emergency room visits and office visits, are all part of the plan. But now, your HSA helps you pay for those expenses with pre-tax dollars.

Your HSA can be used to pay for a wide variety of health care services and products that are detailed in section 213(d) of the IRS Code. If you use your account to pay for expenses on this list, the withdrawals will not be subject to tax or penalty. You can use your account to pay for non-eligible expenses, but you will be charged a tax and penalty on the amounts withdrawn.

# Which medical expenses can be paid for with tax-deductible HSA funds?

The following is a partial list of eligible/potentially eligible/ineligible medical expenses. If you have any questions about an item's eligibility, please contact SelectAccount customer service at (651) 662-5065 or toll free at 1-800-859-2144.

## Eligible medical expenses

|   |  |   |
|---|--|---|
| Abortion  | Eye surgery (laser or radial keratotomy)   | Patterning exercises  |
| Acupuncture   | Eyeglasses – prescription sunglasses/safety glasses  | Physical exams (routine, medical, well-child)   |
| Alcoholism treatment  | Eyeglasses – reading   | Physical therapy  |
| Ambulance   | Fertility treatments (e.g., artificial insemination, egg donor fees, in vitro)   | Prenatal/postnatal exams  |
| Artificial limbs  | Flu shots  | Prescription drugs (special rules apply, e.g., prescription drugs obtained from out of country are not covered) |
| Asthma treatments/nebulizer   | Fluoridation treatment at a dental office  | Preventive care screenings (e.g., mammogram, colonoscopy)   |
| Blood pressure monitoring devices   | Gambling problem treatment   | Prosthesis  |
| Body scans (e.g., MRI, CAT Scan)  | Hearing tests, aids and batteries  | Psychiatric care  |
| Brace (e.g., knee, back, wrist)   | Home health care   | Shipping and handling fees for eligible expenses  |
| Braille books/magazines (excess cost)   | Hormone replacement therapy (HRT)  | Sleep study   |
| Chiropractic treatments (e.g., adjustments)   | Immunizations  | Smoking cessation medications/programs  |
| Circumcision  | Individual counseling (counseling must be performed to alleviate or prevent a physical or mental defect or illness)  | Speech therapy  |
| Coinsurance amounts (health, dental or vision)  | Lab tests  | Support (e.g., wrist, knee, elbow)  |
| Contact lenses (corrective)   | Medical alert bracelet or necklace   | Surgical stockings (e.g., Jobst stockings)  |
| Contraceptives (e.g., birth control pills, condoms, Norplant)                           | Medical records charges  | Taxes paid for eligible expenses  |
| Convalescent home (for medical treatment only)  | Mental health treatment facility   | Telephone/television equipment for hearing-impaired persons (excess cost)                                       |
| Copayments (health, dental or vision)   | “Morning-after” contraceptive pill   | Transportation expenses relative to health care (corresponding medical documentation requested)                 |
| C-PAP machine and supplies  | Occlusal guards to prevent teeth grinding  | Tubal ligation/tubal ligation reversal  |
| Crutches (purchase or rental)   | Oral surgery   | Vaccinations  |
| Deductibles (health, dental or vision)  | Organ transplant (including donor's expenses)  | Vasectomy/vasectomy reversal  |
| Dental procedures, non-cosmetic (e.g., X-rays, fillings, extractions, crowns, implants) | Orthodontics   | Walkers/canes (purchase or rental)  |
| Dentures/denture adhesive   | Oxygen and oxygen equipment  | Wheelchair (purchase or rental)   |
| Diabetic supplies (e.g., insulin, syringe, monitor, insulin pump)                       | Patient responsibilities under the medical, dental or vision plan solely because of the plan's deductible, copay (coinsurance), reasonable and customary charge limit or benefit limit | X-rays  |
| Drug addiction/substance abuse treatment  |  |   |
| Embryo, egg and sperm storage fees  |  |   |
| Eye exams   |  |   |

## Potentially eligible medical expenses (requires Letter of Medical Necessity)

|   |  |   |
|---|--|---|
| Abdominal supports  | Fluoridation device  | Mentally handicapped residential or group home  |
| Air conditioner (capital expense)   | Genetic testing  | Mineral supplements (if prescribed by a physician for a specific medical condition)                                 |
| Air purifier (potential capital expense)  | Group therapy  | Mouthwash   |
| Arch supports   | Guide dog/service animal (purchase, care for, training)                      | Orthopedic inserts  |
| Athletic club membership  | Herbal treatments  | Orthopedic shoes (excess cost)  |
| Autoette  | Holistic or natural healers, dietary substitutes, drugs and medicines        | Personal trainer fees   |
| Automobile modifications (capital expense)  | Home improvements (e.g., exit ramps, widening doorways) (capital expense)    | Prescription drugs that also have a cosmetic purpose (e.g., Retin-A, Rogaine, Botox, Propecia)                      |
| Bariatric surgery   | Household products/improvements to treat allergies                           | Special education costs for dependents with disabilities  |
| Behavioral modification programs  | Inclinor   | Special foods/beverages (if prescribed by a physician to treat a specific condition) (excess cost)                  |
| Breast pumps  | Lactation consultant   | Stem cell, harvesting and/or storage of   |
| Breast reconstructive surgery   | Lead-based paint removal   | Umbilical cord, freezing and storing of   |
| Breast reduction surgery that is medically necessary  | Learning disability treatment  | Varicose veins, treatment of  |
| Childbirth/lamaze classes (related to pre-birth)  | Lodging (away from home for outpatient care – special rules may apply)       | Vitamins (if prescribed by a physician for a specific medical condition, e.g., prenatal vitamins)                   |
| Cosmetic surgery (for repair or reconstruction after accident or surgery or for correction of birth defect) | Massage therapy  | Weight loss program and medications (if prescribed by a physician for a specific medical condition – excludes food) |
| Dietary/nutritional supplements   | Mastectomy-related special bras  | Wigs  |
| DNA collection and storage  | Medical conference admission and transportation (excludes meals and lodging) |   |
| Dyslexia testing and instruction  |  |   |
| Elevator (capital expense)  |  |   |
| Exercise equipment or programs  |  |   |



## Frequently asked questions: Your HSA

### Q: What is an HSA?

A: An HSA is a special tax-preferred trust or custodial account established under Internal Revenue Code Section 223 that is used to pay for medical expenses. All references in this document to Sections refer to the Internal Revenue Code. HSAs work hand in hand with an HDHP.

In some ways, HSAs are very similar to IRAs. For example, as with IRAs, the money in HSAs cannot be invested in life insurance and cannot be forfeited. Depending on your situation, contributions to an HSA may be made by you, your employer, or both. Contributions are deductible — or excluded — from your gross income. You, not SelectAccount or Blue Cross, need to determine whether funds from your HSA are used for qualified medical expenses.

### Q: What are the advantages of an HSA?

A: There are many financial advantages to owning an HSA, including:

- Employer contributions, including employee cafeteria plan contributions, are excluded from taxable income.
- Post-tax contributions are tax deductible, even if you do not itemize deductions on Form 1040.
- You may make tax-free withdrawals from your account for qualified medical expenses not covered by the HDHP.
- The interest or other earnings on the assets in the HSA accumulate tax free.
- If, in the future, you are not covered by an HDHP, you may still make tax-free withdrawals from your account for qualified medical expenses, but you may not contribute additional amounts to the HSA.
- If you become disabled or reach age 65, withdrawals can be made for non-medical reasons without penalty, but amounts must be reported as taxable income.

### Q: What expenses and premiums can be paid out of an HSA?

A: Payments for eligible medical expenses incurred by you or your dependents (as claimed on your tax return) can be made tax free. Other payments result in income tax and excise tax penalties. An eligible medical expense is an expense for medical care as defined by Section 213(d). The expenses must primarily be to alleviate or prevent a physical or mental defect or illness. Many expenses for medical care will fall under Section 213(d). (See IRS Publication 502, Medical and Dental Expenses, for a detailed explanation.) Qualified medical expenses do not include any medical premiums except COBRA, health insurance (other than Medicare Supplement policies) after you reach age 65, qualified long-term care insurance, and health coverage while you're receiving unemployment compensation. Premiums for employer-sponsored retiree medical plans can also be paid from your HSA.

### Q: Are claims that I incurred prior to setting up my HSA eligible for reimbursement?

A: No, claims incurred prior to the date your HSA was established are not considered qualified medical expenses. Claims incurred on or after the date that your HSA was established are eligible regardless of the effective date of the HDHP or when contributions are made.

### Q: What are your obligations as an account holder?

A: Your HSA belongs to you and as such, you're responsible for maintaining the account. Here's what's expected of you as an HSA account holder:

- Ensure that you have an HSA-compliant HDHP for each month that an HSA contribution is made
- Ensure that contributions do not exceed the annual maximum
- Ensure that withdrawals for non-qualified expenses are added back to gross income
- Keep any records that support withdrawals from your account
- Complete the required tax form (Form 8889) and attach it to Form 1040

- Ensure that you do not have any medical coverage that will disqualify the HSA
- Ensure that you cannot be claimed as a tax dependent of someone else

**Q: What happens to an HSA at the end of the year?**

A: The assets in an account, regardless of the source of contributions, always belong to you as the account holder. Contributions remain in the account from year to year until they're used.

**Q: What happens to an HSA if the account holder dies?**

A: As an account holder, you may designate a beneficiary when you open your HSA and you may change your beneficiary designation in writing at any time.

- If a spouse is the designated beneficiary of an HSA, the account will be treated as the spouse's HSA after the death.
- If the spouse is not the designated beneficiary of the HSA on the date of death: 1) the account stops being an HSA, and 2) the fair market value of the HSA becomes taxable to the designated beneficiary.
- If there is no designated beneficiary, the fair market value of the account will be included in the account holder's final income tax return and estate tax return.

**Q: For new HSAs, are maximum HSA contributions prorated on a monthly basis?**

A: Annual HSA contributions for new HSAs are not prorated on a monthly basis as long as you are HSA-eligible on Dec. 1 and maintain HDHP coverage throughout the subsequent "testing period." The testing period begins with December 1st in the year the HSA is established and runs through the December 31st of the following year. The testing period is also called the "13-month rule." Enrolling in an HDHP and establishing an HSA any time after Jan. 1 of the year triggers the testing period if you contribute the maximum amount to your HSA. If you do not satisfy the testing period, tax consequences apply.

**Q: What happens if contributions are made that exceed the annual limit?**

A: Generally, you must pay a 10 percent excise tax on contributions made to an HSA that are greater than the annual limit. (See IRS Form 5329 to determine this tax.) If excess contributions have been made, you won't pay the excise tax on that excess amount if you:

- Withdraw the excess contributions by the due date, including extensions, of your tax return, and
- Withdraw any income earned on the withdrawn contributions, and include the earnings in "other income" on your tax return for the year.

**Q: Can withdrawn contributions be claimed as a deduction on Form 1040?**

A: No. When making a withdrawal of excess contributions, you must inform SelectAccount that the withdrawal is for that purpose. SelectAccount will compute the earnings on the excess contributions for you. The total withdrawal will include the earnings portion. If contributions are made with pre-tax dollars, then both the withdrawal and earnings are included in your taxable income. The withdrawal for excess contributions and the earnings will be reported to the account holder on IRS Form 1099-SA.

**Q: Can both an individual and spouse have family HDHPs and HSAs?**

A: Yes. If both an individual and spouse have family HDHPs, the maximum annual HSA contribution for the family is \$5,650 in 2007. The contribution limit for 2008 is \$5,800. This is true if there is just one HSA or if each spouse has his or her own HSA. A family cannot increase its annual contribution due to the fact that there are two HDHPs and/or two HSAs. This limit is split equally unless the individual and spouse agree on a different division. For other tax situations, consult your tax advisor.

A husband and wife may not have a joint HSA. Each spouse who wants to make a contribution to an HSA

must open a separate HSA, and dollars cannot be transferred between these HSAs. However, one spouse may use withdrawals from his or her HSA to pay or reimburse the qualified medical expenses of the other spouse, without penalty. However, both HSAs may not reimburse the same expenses.

**Q: Who is responsible if contributions and/or disbursements do not occur according to regulations?**

A: As the account holder, you are responsible to report the contributions and withdrawals to the IRS, and you're ultimately responsible for ensuring that account transactions are within the allowed regulations. An excess HSA contribution may be corrected by withdrawing the excess contribution plus any attributable net income before the due date of your tax return (including extensions), thus avoiding a 10 percent excise tax. You're allowed to correct mistaken HSA withdrawals when there is clear and convincing evidence that amounts were distributed from an HSA because of a mistake of fact due to reasonable cause. You can correct the mistake by repaying the withdrawal no later than April 15 following the first year that you knew or should have known that the withdrawal was a mistake. When a correction is made, the mistaken withdrawal does not have to be included in gross income or be subject to the 10 percent additional tax, and the repayment does not count as an excess contribution. If an error is made by SelectAccount in its role as the administrator, SelectAccount will be responsible for taking appropriate corrective action.

**Q: If my HSA is set up in the middle of the year (after my FSA is already in place) does that change my employer/employee contributions for the FSA for the remainder of that year?**

A: No. You can only change your contributions for specific, qualifying events, such as marriage, divorce, birth of a child or adoption. Remember that coverage under a spouse's FSA will disqualify your HSA, unless your spouse's FSA limits covered expenses during the health plan deductible period to vision, dental and preventive services only.

**Q: How does the HSA contribution change when there is a change in the contract status of the health plan (from a family plan to a single plan, or vice versa)?**

A: You may increase contributions if you move from single to family coverage (the increase will only apply to those full months in which family coverage was in force), and you may have to decrease contributions if you move from family to single coverage (the decrease will apply to any month in which single coverage was in force for a portion of the month). You can change your contribution election at any point; however you're responsible to ensure contributions do not exceed allowable amounts.

**Q: Can employee pre-tax HSA contributions be changed throughout the year?**

A: Yes. Because the eligibility requirements and contribution limits for HSAs are determined on a month-by-month basis, rather than on an annual basis. If you elect to make HSA contributions under a cafeteria plan, you can start or stop the election or increase or decrease the amount at any time as long as the change is effective prospectively (i.e., after the request for the change is received).

**Q: Can I contribute to an HSA at the same time as an FSA and/or HRA?**

A: You can contribute to the HSA while also covered by the following types of health FSAs and/or HRAs: limited purpose FSA and/or HRA; suspended HRA; post-deductible FSA and/or HRA; retirement HRA (See Section 4 for definitions of these terms). A medical FSA that pays for all eligible expenses (a general purpose FSA) disqualifies you from contributing to an HSA. If the general purpose medical FSA also has a grace period, you will remain ineligible to contribute to an HSA during this time, unless the FSA has a \$0 balance at the end of the plan year.

**Q: Can you roll over or transfer funds from an existing account (MSA or HSA) to an account with another custodian?**

A: Yes. If you would like to transfer an existing HSA or MSA balance to SelectAccount, SelectAccount will

facilitate the movement of the assets from the previous account directly to the new account. If you would like a rollover of an existing HSA or MSA to SelectAccount, the assets in that account will be distributed to you. Under a rollover, you must pay the amount into the new account with SelectAccount no later than the 60th day after the day the withdrawal was received from the previous custodian in order to avoid tax penalties.

**Q: I've recently changed jobs and have an HRA from my former employer. The HRA has a spend-down feature; what is that and how does it affect my new HSA?**

A: The spend-down feature gives you the ability to continue to use the money in the HRA from your previous employer, but your employer cannot make contributions to the HRA account. You cannot open or contribute to your new HSA until the HRA dollars are spent and the current plan year for the HRA is over. You can enroll in the new HDHP, but not the HSA until that time.

**Q: How is interest credited to the account?**

A: SelectAccount will credit interest monthly on the average base balance in the HSA. There is no risk of the principal value of the contributions decreasing due to market changes. SelectAccount reserves the right to declare a different rate of interest at any time. SelectAccount does not pay interest on funds that are transferred to investment accounts.

**Q: What reporting is available from the SelectAccount?**

A: In addition to the required government forms (Form 5498-SA and Form 1099-SA), there are several other reports SelectAccount will provide:

➤ **Verification Form** – You will receive a packet of information once SelectAccount processes your HSA application. This packet will confirm the information, as well as provide information on how to receive reimbursements and make contributions.

- **Quarterly Statement** – You will receive a statement following the end of each calendar year quarter verifying the contributions received, withdrawals made, and available balance in the account.
- **Explanation of Payment** – You will receive a statement with each withdrawal requested, detailing the results of that withdrawal. Balance information will also be included on this statement. If you happen to receive an excess reimbursement at any point during the year, you'll receive a separate Explanation of Payment for that transaction.
- **Account Status Report** – Upon request, you can obtain an account status report which will detail all account activity. This information can also be viewed on the SelectAccount web site.
- **IRS form 1099** – By Jan. 31st of each year, you'll receive this form from SelectAccount, detailing your contributions for the year.
- **IRS form 5498** – By May 31st of each year, you'll receive this form, which details the withdrawals you've made for the year.

**Q: Is there a fee associated with the HSA?**

A: Based on feedback from members like you, SelectAccount recently introduced new administrative fees and interest rates on all HSAs. If you purchased Options Blue as an individual, you can choose which of the three fee options is best for you. (You'll find the fee options listed on your HSA Application.) If your HSA is through your employer, your employer will choose the fee level and may pay that fee or pass it on to you. Accounts paid by individual account holders are billed annually and payment is automatically debited directly from the HSA, as soon as funds are available.

# You + Blue Cross + your HSA: Understanding what, and when, you pay

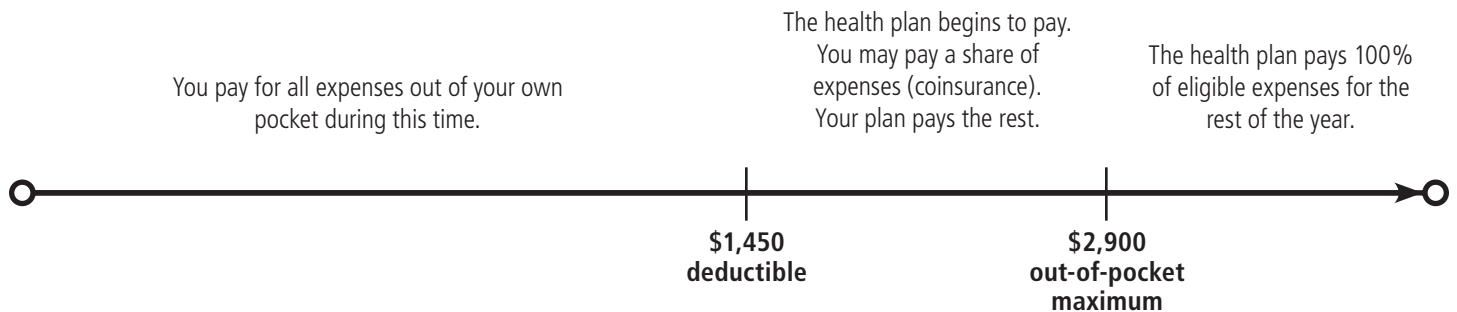
Your HSA can go a long way toward helping you pay for your health care expenses. But it's important to remember that your account likely won't cover all your expenses, at least not in the first few years. Here's an example of how your HSA helps cover your expenses, and what your financial experience would be if you had a deductible health plan without an account.

## Example of an HDHP without an account

*\$1,450 deductible*

*\$2,900 Out-of-pocket maximum*

*80/20 coverage after deductible until OOP is met*



Preventive care benefits are usually covered 100 percent from Day 1.

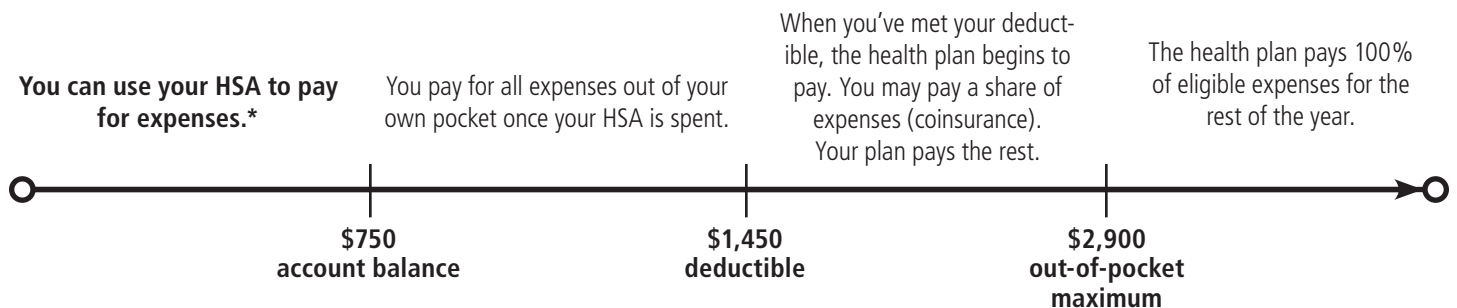
## Example of Options Blue (HDHP with an account)

*\$1,450 deductible*

*\$750 HSA contribution (you, your employer, or both)*

*\$2,900 Out-of-pocket maximum*

*80/20 coverage after deductible until OOP is met*



Preventive care benefits are usually covered 100 percent from Day 1.

**\*Additional features with Options Blue: Your HSA allows you to save any unused dollars for future health care expenses PLUS you can have triple tax advantages: money put into the account isn't taxed, unused account dollars earn tax-free interest, and withdrawals aren't taxed if used for qualified medical expenses.**

An additional difference between a deductible plan and an HSA plan: with an HSA plan, prescriptions are subject to the deductible.

# Filing claims

When you request reimbursement from your HSA, you're filing a claim from your account. You can make a claim (also called a withdrawal) at any time. When receiving reimbursement for eligible medical expenses, you do not pay tax on the withdrawal. You must pay income taxes plus an additional tax of 10 percent on any amount used for expenses that are not eligible medical expenses, unless you're disabled, age 65 or older, or die during the year. If you become disabled or reach age 65, withdrawals can be made for non-medical reasons without penalty, but amounts must be reported as taxable income. If withdrawals for the year are less than or equal to the eligible medical expenses that were paid, there are no tax requirements on those withdrawals.

If you are not enrolled in crossover, to request a withdrawal you'll need to submit an HSA Withdrawal Request to SelectAccount. SelectAccount will process this request and issue reimbursement according to the available balance in your account. Payment can be issued to a checking or savings account, or by check to you, along with an explanation of payment. If the withdrawal request is greater than the available account balance, the difference will pend for up to one year, and be reimbursed as additional funds become available. Whenever you submit a claim, you're responsible for verifying that the expense is a qualified medical expense as determined by Section 213(d). You're also responsible for keeping appropriate receipts for all medical payments (provider name, date, reason, and amount). However, you do not need to submit this information with your withdrawal request form.



## Frequently asked questions: Filing HSA claims

### Q: Which account pays first if I have an HSA and an FSA?

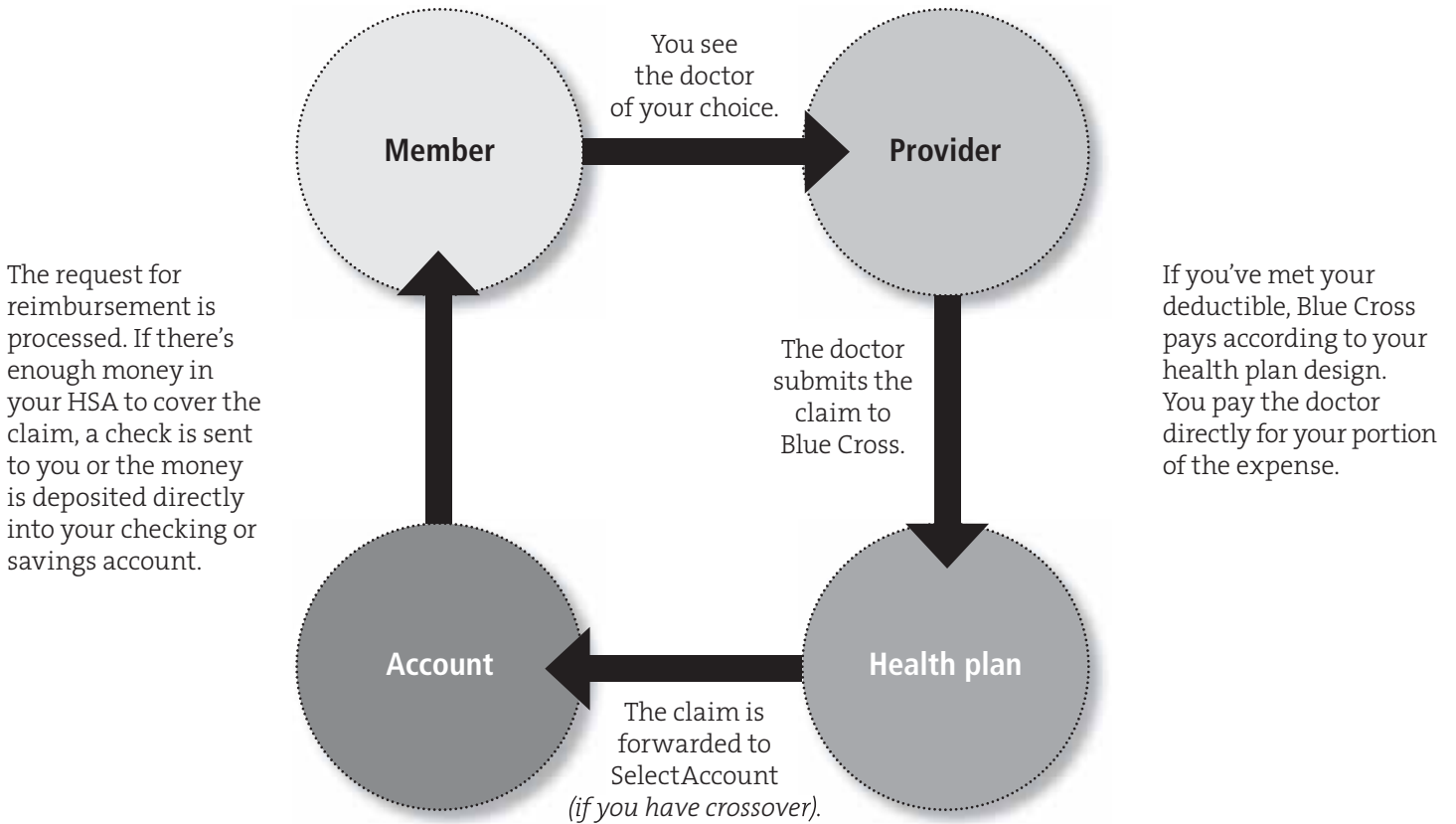
A: If the FSA is limited to vision, dental and preventive care, the FSA can pay for these claims first. However, keep in mind they're also eligible expenses under the HSA.

## An account administrator that knows the story

SelectAccount has been administering financial accounts for health plans since 1988. Not only will you appreciate their expertise, but you'll enjoy other benefits, including:

- Dedicated, experienced customer service
- Paperless, automatic claims processing, if you choose — you save time and hassle
- Online access to account information and forms
- Quick turnaround and electronic deposits into checking or savings accounts
- No minimum contribution requirements
- Contribution tracking and quarterly statements
- HSA debit card

## How a medical claim is paid



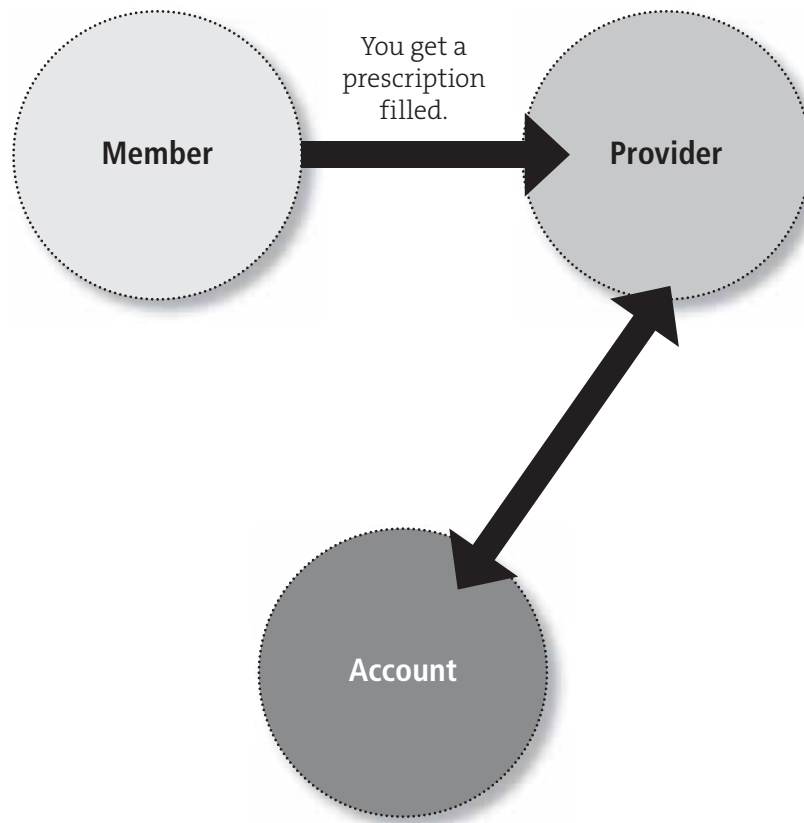
**For medical (non-pharmacy) claims:** When you visit your doctor, their office will submit a claim to Blue Cross for the services you received. If you've enrolled in crossover, Blue Cross will also send the claim directly to SelectAccount, indicating which amounts are your responsibility. SelectAccount will then process a withdrawal against your HSA (to the extent that funds are available in your account), and will send you your reimbursement by check or electronic deposit into the checking or savings account of your choice.



### Fast Fact

You cannot sign up for crossover if you, your spouse or any of your dependents have other health coverage.

## How a pharmacy claim is paid



The pharmacy checks your account balance and withdraws funds directly from your account to pay for the prescription. If you've signed up for crossover, you pay nothing out of pocket.

Note: In some cases, your pharmacist may not have access to your account information. This means you'll have to pay the pharmacist and request reimbursement from your account.

**For pharmacy claims:** When you visit a pharmacy to pick up a prescription, you'll need to present your Blue Cross ID card, which will tell the pharmacist that you have an HSA. The pharmacist will enter the prescription order into the pharmacy network system, which will tell them the price of the prescription and how much you owe. If you've signed up for crossover, the system will also check to see if there are enough dollars in your HSA to cover your share of the cost, and if so, the money will be automatically withdrawn from your HSA. This may make it seem like you're getting your prescription for "free." If you do not have enough money in your HSA to cover the cost, you'll be asked to pay your share of the prescription cost out of your pocket.

# Reimbursement options

Getting reimbursed for eligible health care expenses from your HSA is easy. And you can get your money faster by enrolling in options like our electronic claims reimbursement feature (also known as crossover), automatic deposit, or the HSA debit card.

## Electronic claims reimbursement (crossover)

As an account holder, you may be able to enroll in a feature called “electronic claims reimbursement” or “crossover” for medical claims. This enables Blue Cross to submit medical or pharmacy claims directly to SelectAccount on your behalf. Crossover decreases paperwork for you and can speed up the reimbursement process. Crossover administration is available on an optional basis for medical claims. You can sign up for or cancel your enrollment in crossover at any time. **But remember, you cannot enroll in both crossover and the HSA debit card — you can choose only one of these options.**

## Automatic deposit

Another time-saving feature of your HSA is the ability to enroll in automatic deposit, which gives SelectAccount the authority to deposit reimbursements directly into the checking or savings account of your choice. This saves you a trip to the bank and, in most cases, decreases the time it takes to be reimbursed.

## HSA debit card

The HSA debit card is now included at no charge with all SelectAccount Basic Saver and Premium Saver accounts. Your HSA debit card gives you and your eligible dependents immediate access to available HSA funds at point of service. You can find a debit card application at the online service center, myBlueCross, at [bluecrossmn.com](http://bluecrossmn.com). Additional fees apply if you have the Thrift Saver HSA.

## Bridging the gap for HSA claims payment

Your Options Blue HSA is a smart way to save money and pay for eligible health care expenses, all at the same time. In general, your HSA will be easy to use. But there are a few things you should remember as you begin using your new health plan and account.

- With Options Blue, you pay for eligible health care expenses until you meet your deductible. Once your deductible is met, your Blue Cross health plan starts to pay (subject to any coinsurance amounts) until the out-of-pocket maximum has been satisfied. Once you’ve met your out-of-pocket maximum, your health plan pays 100 percent of covered expenses. Preventive care is covered at 100 percent, even during your deductible phase.
- Once the money in your HSA is spent, you’ll pay for the rest of your deductible out of your own pocket. This can include pharmacy.
- So, what can you do to avoid any financial “surprises?” Here are a few ideas:
  - Make sure that you and your spouse are aware of your current HSA balance when receiving care or getting prescriptions. Because your expenses are actually deducted from your HSA at the time you receive care it may make it seem like you’re getting your prescriptions or services for “free.”
  - Keep track of your HSA activity so you know when you’ll have to begin paying out of pocket. Use the online member service center or call customer service to for balance information.
  - Use 90dayRx to save money on maintenance drugs. This could also help decrease the number of prescriptions you need after you’ve used up your HSA balance.

# How your reimbursement works

An example of how a claim is paid with crossover, and without crossover

| <b>How it works</b><br>Here's an example of how your claims are paid when you have <b>crossover</b> .   | <b>How it works</b><br>Here's an example of how your claims are paid <b>without crossover</b> .   |
|---|---|
| <b>Step 1</b> You cut your hand doing yard work and need to visit the doctor, who examines the wound and applies a few stitches.  | <b>Step 1</b> You cut your hand doing yard work and need to visit the doctor, who examines the wound and applies a few stitches.  |
| <b>Step 2</b> Your doctor submits the claim to Blue Cross on your behalf.   | <b>Step 2</b> Your doctor submits the claim to Blue Cross on your behalf.   |
| <b>Step 3</b> Blue Cross pays the portion of the claim that's covered by your company's health plan.  | <b>Step 3</b> Blue Cross pays the portion of the claim that's covered by your company's health plan.  |
| <b>Step 4</b> You receive an Explanation of Benefits (EOB) from Blue Cross stating what has been paid by your health plan and any amount that you owe.  | <b>Step 4</b> You receive an Explanation of Benefits (EOB) from Blue Cross stating what has been paid by your health plan and any amount that you owe.                                    |
| <b>Step 5</b> Blue Cross sends SelectAccount your payment responsibility information on this claim.   | <b>Step 5</b> You submit a request for reimbursement out of your accounts. You can find claim forms online at <a href="http://www.selectaccount.com">www.selectaccount.com</a> .          |
| <b>Step 6</b> SelectAccount will access your accounts and reimburse you to the extent that funds are available. The order in which your accounts are accessed is determined by your plan.   | <b>Step 6</b> SelectAccount will access your accounts and reimburse you to the extent that funds are available. The order in which your accounts are accessed is determined by your plan. |
| <b>Step 7</b> You'll receive your reimbursement check or direct deposit notification along with an Explanation of Payment that details your account activity.   | <b>Step 7</b> You'll receive your reimbursement check or direct deposit notification along with a Payment Activity Report that details your account activity.                             |
| If the claim cannot be paid in full from your Options Blue accounts, the claim will be set aside for up to 12 months, and you will be reimbursed as additional contributions are made to your account. In the meantime, you will still need to pay your provider. |   |

# Using your HSA to save for the future

Saving for a rainy day is a concept we're taught as children and that can follow us throughout our lives. But it wasn't until recent years that we began to apply this thinking to health care. Now, your Options Blue HSA makes saving for future health care needs easier than ever.

Here are a few ways you can prepare for the future with Options Blue:

- **Take advantage of lower premiums** – Because your Options Blue premiums are likely lower than what you would pay under a traditional health plan, you may find yourself with extra money. Instead of spending that money, continue to set it aside for health care expenses. You never know when you might need it!
- **Contribute to your HSA** – By contributing even \$100 a month to your HSA, you can quickly build a nest egg for health care needs that will help bridge the gap between the contributions that your employer may make to your account, and your deductible level. Plus, HSA contributions reduce your taxable income, withdrawals for eligible expenses are tax free, and you earn tax-free interest on the money in your account.
- **Take advantage of the built-in rollover feature of your HSA** – Remember, whatever money that remains in your account at the end of one year rolls over from year to year. Add this to your regular account contributions and you'll have a tidy sum before you know it. Keep in mind that in order to save money, you have to make wise decisions about how you spend your health care dollars.
- **Invest your unused HSA dollars** – Your Options Blue HSA comes with a built-in investment account that you can activate once your Base Balance exceeds \$1,000. Although there is an inherent risk with investing, this can be an effective way to make your money work harder for you.

## Fast Fact



To activate your HSA, your investment account, or to manage your HSA dollars, visit the online member service center at [bluecrossmn.com](https://bluecrossmn.com) (look for the online service center link).

## Investments options

You have the opportunity to invest a portion of your HSA in a variety of investment options. The investment options are just that — options — and they're yours as a SelectAccount member. If you want to use these options, all you need to do is select one of the investment account options within your HSA as your HSA balance grows. If you don't want to assume the risk of loss that comes with investing in the market, you can leave your entire HSA balance at SelectAccount (your Base Balance) where it may earn interest at rate(s) established by SelectAccount.

The investment options are made possible by an arrangement between SelectAccount (the custodian and administrator of your health savings account) and the Charles Schwab Trust Company (the sub-custodian for the investment accounts). As one of the most recognized names in the investment industry, the Schwab platform gives you access to mutual funds from various fund families, as well as planning tools to help you manage and analyze your investments. Here's how it works:

**Once your HSA Base Balance reaches \$1,000**, you can activate your self-directed Basic Investment Account, with the Charles Schwab Trust Company as the investment custodian. This account, as part of the HSA, gives you access to a variety of mutual funds from the Schwab's Mutual Fund OneSource Service. The mutual funds available under this option are selected by Devenir LLC, a registered investment adviser.

To activate the Basic Investment Account, login to your HSA online at [bluecrossmn.com](http://bluecrossmn.com) and choose the link to set up an investment account. Follow the instructions and prompts for activating your Basic Investment Account. Generally, you will be able to access your investment account online within two to three business days after you establish it. Once you've signed into your HSA, choose the link to your "Investment Account." You will then be able to obtain mutual fund prospectuses, select the mutual funds in which you wish to invest, determine how much of your investment account you want to invest, and set allocations for future contributions.

**Once your Basic Investment Account balance exceeds \$10,000**, you can activate a Self-directed Brokerage Investment Account with Charles Schwab. This account, also a part of your HSA, gives you access to more than 2,500 mutual funds from a variety of fund families, as well as stocks, bonds and other investments.

**The investment accounts are self-directed and self-managed.** This means that you decide whether and when to invest, select the mutual funds or other investments (available through the Brokerage Investment Account option) in which you want to invest, and decide how much to invest. If you need help with this process, you have access to online resources and tools through the Schwab site.

The web site also provides access to Schwab 401(k) Tools, which is a grouping of research and planning tools provided by Schwab. If you do not have access to the Internet, you may access your HSA investment account by calling 1-800-506-4305.

### Investment account options based on balance



You can open your Basic Investment Account anytime after your Base Balance reaches \$1,000. You can begin investing right away, or you can maintain a higher Base Balance (you may want to maintain a Base Balance of \$2,000 to cover health care expenses) and invest at a later date. Once your Basic Investment Account balance reaches \$10,000, you have the opportunity to open a Self-directed Brokerage Account with any dollars over \$10,000.

SelectAccount does not offer advice on the sale or purchase of mutual funds. Devenir has selected a range of mutual funds for you to consider, however, you're responsible for all investment decisions. Investing in mutual funds can result in a loss of capital.

| <b>Investment asset class</b>      | <b>Description</b>   |
|------------------------------------|--|
| <b>Large Cap Value</b>             | Companies having a market capitalization of between \$10 billion and \$200 billion and companies that are considered cheap relative to other stocks by valuation measurements, such as price-to-earnings and price-to-book value ratios.   |
| <b>Large Cap Income</b>            | Companies having a market capitalization of between \$10 billion and \$200 billion that pay dividends and provide a steady stream of income. This typically includes well-established companies such as utilities and financial services firms.  |
| <b>Large Cap Growth and Income</b> | Companies that have a market capitalization of between \$10 billion and \$200 billion; whose sales and profits are expected to grow; that pay dividends and provide a steady stream of income. This typically includes well-established companies such as utilities and financial services firms.  |
| <b>Large Cap Growth</b>            | Companies having a market capitalization of between \$10 billion and \$200 billion, or whose sales and profits are expected to grow.   |
| <b>Mid Cap</b>                     | Companies with a market capitalization of between \$2 billion and \$10 billion or whose sales and profits are expected to grow.  |
| <b>Small Cap</b>                   | Companies with a market capitalization of between \$300 million and \$2 billion. Small cap funds invest in companies primarily in the securities of small and medium-sized companies. The risks associated with investments in small companies include less experienced management, limited product lines and financial resources, shorter operating histories, less publicly available information, reduced liquidity and increased price volatility.   |
| <b>International</b>               | These types of funds invest in companies and debt instruments throughout the world. Investing in these securities involve considerations and potential risks not typically associated with investments in domestic corporations and obligations issued by the U.S. government. These risks include risks associated with changes in currency values, economic, political and social unrest, the regulatory environment of the countries where the fund invests, as well as difficulties in receiving current and accurate information. |
| <b>Index Fund</b>                  | An index fund mirrors the holdings of a broad based market index such as the S&P 500. The goal of an index fund is to match the returns of the index.  |
| <b>Fixed Income</b>                | Fixed income funds generally invest in bonds and other debt instruments which pay a steady stream of income.   |
| <b>Lifestyle Funds</b>             | Lifestyle Funds are funds whose asset mix is determined according to the level of risk and return that is appropriate for an investor's current life situation. Lifestyle funds may be conservative, moderate, or aggressive. Aggressive lifestyle funds would be targeted for younger investors while conservative lifestyle funds would be targeted for investors nearing retirement.  |
| <b>Money Market</b>                | Money market funds invest in debt instruments with maturities of one year or less and are considered very liquid.  |



## Frequently asked questions: HSA investments

### Q: What can I invest in?

A: In general, you can invest your HSA dollars the same way you would an IRA. However, you cannot use the account to invest in life insurance policies, collectibles (such as artwork) or other intangibles as defined by the IRS.

### Q: Are the self-directed investment accounts part of my HSA?

A: Yes. While the Basic Investment Account and the Brokerage Investment Account are held in the custody of the Charles Schwab Trust Company, they remain part of your HSA with SelectAccount. While they are part of your HSA, SelectAccount does not pay interest on the investment accounts.

### Q: How can I direct future contributions to go into my Basic Investment Account?

A: You can direct future HSA contributions to mutual fund investments by visiting [bluecrossmn.com](http://bluecrossmn.com) and accessing your HSA, and then selecting the investment account “management functions.” You’ll find various options to control or manage the flow of contributions to the mutual fund(s) you’ve selected. Generally, you may elect to have all or a portion of your future contributions flow directly into the investments you have selected in your investment account. There is one restriction: if your Base Balance ever falls below \$1,000 due to withdrawals taken from your HSA for health care claims, then your future contributions will first be used to build your Base Balance back to \$1,000, with the remainder then invested according to your investment instructions.

### Q: How do I request a withdrawal when I have an active investment account?

A: Account withdrawals are always paid from your Base Balance. If there are not enough funds in your Base Balance to pay a claim, the claim will be pended for 12 months or until additional funds are available in your

Base Balance. These additional funds can come from either new contributions or from transferring funds from your investment account to your Base Balance. The transfer of funds from the self-directed investment account to the Base Balance is not automatic. You will have to manually request such a transfer. Withdrawals will be taken pro-rata from the mutual funds you have invested if you have selected the pro-rata transfer option. Otherwise, you will need to select the fund(s) and amount(s) you wish to sell to fund your withdrawal. If you’re transferring funds from a Self-directed Brokerage Investment Account, you’ll need to sell enough assets to cover the transfer request. You may also pay a redemption fee for those transactions.

### Q: How often can I make changes to my self-directed investment account?

A: Typically, mutual funds are considered long-term investments. There may be a need from time to time to make changes to your mutual fund holdings due to changes in your risk tolerance, investment objectives, time horizon or other factors. Ultimately, you decide when to make changes to your investment account. With this in mind, you can make changes to your investment account as often as you’d like. But remember, some funds may charge redemption fees to discourage short-term trading.

### Q: How often is my HSA investment account balance activity updated?

A: Your investment account balance is updated each day the New York Stock Exchange is open. You can check your balance daily via the web site or by phone.

### Q: What reports will I receive?

A: Your quarterly HSA statement will include your HSA balance and summary of account activity, including your Basic Investment Account information.

## Investment account fees

When you choose to invest your HSA dollars, you will pay fees on your HSA Base Balance, your Basic Investment Account and your Self-Directed Brokerage Account. Here are some additional details on the fees that apply to these accounts:

- You'll pay a monthly investment account service fee of \$1.50 to SelectAccount, regardless of your investment account balance. This fee is deducted from your HSA Base Balance on monthly basis.
- In addition to this fee, Charles Schwab also charges a \$100 annual fee for people who have the HSA Thrift Saver along with a Self-directed Brokerage Investment Account, which can be opened once your Basic Investment Account balance exceeds \$10,000. This fee is billed annually and deducted from your Self-directed Brokerage Investment Account. This fee does not apply if you have the SelectAccount Basic Saver or Premium Saver HSA.

- Schwab's standard brokerage commission schedule applies to transactions in the Self-directed Brokerage Investment Account. Applicable commissions and execution fees will also be deducted from your Self-directed Brokerage Investment Account balance. Account holders with a Self-Directed Brokerage Account will pay standard transaction fees for trades they make through their Self-Directed Brokerage Account. **In addition, short-term redemption fees may apply for fund units that are sold within the timeframe listed in the fund's prospectus. Please refer to a particular fund's prospectus to determine if redemption fees apply.**

| Account type                                      | Your Available Funds   | Monthly Account Service Fees*   |
|---|--|---|
| <b>Base Balance</b>                               | Funds in the base balance earn interest at rates set by SelectAccount. Account holder may leave all funds in the base account.   | Annual fees/varies  |
| <b>Basic Investment Account</b>                   | When your base balance exceeds \$1,000, you have the option to invest the amount over this threshold in a variety of pre-selected mutual funds.  | An additional \$1.50 per month; this fee is paid out of the Basic Investment Account  |
| <b>Self-Directed Brokerage Investment Account</b> | When your Basic Investment Account exceeds \$10,000, you have the option to invest the amount over this threshold in a wider range of mutual funds as well as stocks, bonds and other investments. | Standard transaction fees, are paid out of the Self-directed Brokerage Investment Account. An additional \$100 annual fee applies if you have the HSA Thrift Saver account. |

\*These fees are in addition to any HSA account administrative fees that SelectAccount may charge.

# Mutual fund fees and charges

In addition to the monthly investment account service fees described above for the HSA investment options, you should read the fund's prospectus carefully before investing. The fund's prospectus contains complete information about the fund, including management fees, charges and expenses. To get prospectuses, sign on to your HSA account on [bluecrossmn.com](https://www.bluecrossmn.com) and click on the "investment" link then select the fund prospectus under "Schwab 401(k)Tools" by clicking on the mutual fund name. You can also call the toll-free number listed below for each fund. Mutual funds purchased from Charles Schwab & Co. Inc. through the Basic Investment Account options available under your HSA will be purchased without an initial sales charge. **Some mutual funds may impose redemption fees of up to 2 percent of the redemption proceeds in order to discourage short-term trading.** If a redemption fee is charged, it is paid to the fund and is intended to offset portfolio transaction costs, market impact and other costs associated with short-term trading.

The mutual funds available through Schwab's Mutual Fund OneSource Service may charge 12b-1 fees as disclosed in the fund's prospectus. A 12b-1 fee is a fee that a mutual fund company pays to others out of fund assets to cover administrative services, including recordkeeping and shareholder services, and to compensate persons who distribute the fund's shares. Charles Schwab & Co. Inc. receives payments from the mutual fund companies participating in Schwab's Mutual Fund OneSource Service for recordkeeping and shareholder services and other administrative services. Schwab also may receive payments from transaction fee fund companies for certain administrative services. Schwab may make certain plan expense payments to the record keeper for the investment accounts for administrative and recordkeeping services it provides. In addition, these plan expense payments may also be used to offset investment account expenses for custodial and investment advisory services. Without these plan expense payments from Schwab, the monthly investment account service fees described above could be higher. Devenir, as invest-

ment advisor to the HSA, may consider the availability of these plan expense payments when it selects mutual funds for the Basic Investment Account. None of the monthly investment account service fees, plan expense payments or the investment account transfer fee, if applicable, are paid to SelectAccount.

## **The following information is provided by Devenir, LLC.**

Devenir Investment Advisors LLC is a registered investment advisor that was chosen by SelectAccount to research and select the HSA mutual fund investment options. Devenir's investment selection methodology screens the plan's mutual fund options on a number of criteria, which includes, but is not limited to, total fund performance, category ranking by Morningstar and track record. Devenir will periodically review and may recommend changes in the group of mutual funds available in the Basic Investment Account if a particular fund no longer meets Devenir's investment selection criteria. You will not be given separate notice of these changes; however, if you access your Basic Investment Account using the investment account link at [bluecrossmn.com](https://www.bluecrossmn.com), you can find a list of the current group of mutual funds and find access to the fund prospectuses. Any change in the group of mutual funds will not affect amounts you have previously invested, and you may continue to invest in funds that are no longer part of the group.

The HSA investment account mutual fund selections represent a variety of asset classes. This allows you to choose how you want to allocate your assets. Historically, no one asset class outperforms any other year after year. By diversifying your investments among various asset classes you have the potential for minimizing risk and maximizing returns in your account, but there is no guarantee of this. Diversification and asset allocation do not protect your account from market fluctuations and do not guarantee a gain or protect against a loss of principal in your account.

To determine your asset allocation you will need to consider factors such as your risk tolerance, investment objectives and time horizon for these assets. When considering your time horizon for any investment you choose to make in your HSA, keep in mind the role you expect your HSA to play in meeting your future health care needs and that you may need to liquidate invest-

ments to fund a withdrawal from your HSA. How do you determine an asset allocation that's right for you? Through the HSA investment account, you have access to a number of Schwab's web-based educational and planning tools to help you make your investment selections. These tools include easy-to-use asset allocation guides, goal planners and calculators to help you reach your specific savings goals. The investor profile available through Schwab 401(k)Tools can help you determine what type of an investor you are — conservative, moderate or aggressive — and suggest a recommended diversification that you may wish to consider when you make your investment decisions.

Over time, your risk tolerance, investment objectives or time horizon for these assets may change and the asset allocation you choose today may not be appropriate in the future. It's a good idea from time to time to re-evaluate these factors and rebalance your portfolio as necessary.

For questions about your investment account, call toll free 1-800-859-2144 between the hours of 8:00 a.m. and 4:30 p.m. Central Time, Monday through Friday. For questions or advice about the stability of investment options, please consult your financial advisor or accountant.

You can find the Schwab 401(k)Tools by logging into your HSA account at **bluecrossmn.com** and selecting the "investment" link to access your Basic Investment Account, and then clicking on the "Schwab 401(k)Tools" link.

## HSA Investment Options Disclosures

As a participant in this self-directed HSA program, Devenir does not intend to provide personalized investment advice to participants of the program. Information provided for the investment options herein are for informational purposes only and should not be mistaken as a recommendation from Devenir or any of its representatives. Devenir reserves the right to change investment options within the program at any time. Information regarding asset classifications for investment options have been provided by Morningstar or the fund prospectus and the asset classifications are subject to change over time. Past performance is no guarantee of future results.

Before you make any investment, you should carefully review the fund's prospectus and consider its objectives, associated risks and any fees or expenses that may apply. Investing entails the risk of loss of principal. You can find the prospectus at [bluecrossmn.com](http://bluecrossmn.com), click on the "investment" link, then select the "Schwab 401(k)Tools." You can also call the fund's toll-free telephone number to request a prospectus.

As outlined previously, the record keeper for the investment accounts may receive certain plan expense payments from Charles Schwab & Co. Inc. for administrative and recordkeeping services the record keeper provides to the HSA investment accounts. The plan expense payments may also be used to offset custodial fees charged by the Schwab Trust Company and investment advisory fees charged by Devenir for services provided to the investment accounts. These payments may be based on the market value of the fund or the number of participants that invest in it. The record keeper expects to receive the plan expense payments from Schwab with respect to these funds.

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# HSA tax questions

## Q: How do I report my HSA on my tax return?

A: You will receive the following IRS forms from SelectAccount:

- Form 1099-SA from SelectAccount reports any withdrawals made in a tax year. You will receive this by Jan. 31st each year.
- Form 5498-SA from SelectAccount which reports contributions made for a specific tax year. You will receive this by May 31st each year.

It is your responsibility to keep records to support withdrawals and to complete Form 8889 and attach it to Form 1040.

## Q: What is the deadline for establishing and contributing to an HSA

A: The HSA must be established and the HSA contributions must be made by your tax return due date for the year, including extensions. For calendar year taxpayers, the deadline for contributions to an HSA is April 15 (or the first day after April 15 that is not a Saturday, Sunday or legal holiday). This deadline applies regardless of whether the contributions are made by you (individual/employee), your employer, or both.

You may also make a one-time tax-free withdrawal from your IRA and directly roll over the dollars into your HSA. This rollover must be transferred from trustee to trustee to receive the tax benefits. Dollars transferred from an IRA into an HSA do count towards the annual maximum HSA contribution. The maximum amount that can be rolled over is the maximum HSA contribution combined with other HSA contributions allowed for the year.

## Q: What is an excess HSA contribution?

Contributions that exceed the maximum contribution limit for the year or that are made by an ineligible individual are considered excess HSA contributions. If you make the excess contribution, it may not be deducted from your income on the tax return. Contributions made by employers (or pre-tax contributions through a cafeteria plan) that exceed the allowable limit

must be added back to gross income (by the employee) on the individual's tax return. It is not the employer's responsibility to add such amounts retrospectively (as income) to the employee's W-2. However, an employee must make every reasonable effort to notify his or her employer prospectively that employer contributions will exceed the allowable limit so that the employer can make the necessary changes to the contribution. An excise tax of 10 percent for each tax year is imposed on the account holder for these excess individual or employer contributions. If, however, the excess contributions for a tax year and the net income attributable to these excess contributions are taken out of the account before the tax return deadline, including extensions, then the excise tax does not apply. However, the net income attributable to the excess contribution is included in the account holder's income for the tax year in which the withdrawal is made.

## Q: How are individual HSA contributions treated on my tax return?

A: Contributions made by an eligible individual to an HSA are deductible in computing adjusted gross income. The contributions are deductible whether or not you itemize deductions. A self-employed person's HSA contributions are subject to SECA taxes (the Social Security taxes applicable to the self-employed).

Contributions made by the employer or by an employee through a cafeteria plan are excluded from gross income, are not subject to withholding for income tax, and are not subject to other employment taxes (for example, Social Security tax). Even though not taxable to the employee, employers are required to report the amount of the HSA contribution on the employee's W-2. An employee who elects to make HSA contributions under a cafeteria plan may start or stop the election or increase or decrease the amount at any time as long as the change is effective prospectively (i.e., after the request for the change is received). Additional rules regarding tax treatment of your HSA dollars include:

- **Tax treatment of earnings on amounts in an HSA –** Earnings on amounts contributed to an HSA are generally not taxable to the HSA holder.

- **Withdrawals from an HSA** – There is no restriction on when and how often you may request withdrawals from the HSA. When you or your dependent incurs an eligible medical expense, a withdrawal from the HSA may be made to reimburse you for the expense.
- **Non-qualified withdrawals** – Withdrawals that are not for eligible medical expenses are always included in your gross income. In addition, such withdrawals are generally subject to an additional 10 percent penalty, unless the withdrawal is made after death, disability, or attainment of age 65.
- **Transfer of an HSA in a divorce** – The transfer of interest in an HSA to your spouse or former spouse under a divorce or separation will not be considered a taxable transfer. The recipient spouse or former spouse may continue to avoid taxation on the account as long as it is maintained as an HSA.
- **Tax treatment of an HSA after death of an account holder** – The tax treatment of an HSA after the death of the account holder depends on whether a spouse or non-spouse is designated as beneficiary of the account. If the deceased account holder's designated beneficiary is a spouse, the HSA is treated as the surviving spouse's own HSA. Withdrawals to the surviving spouse for eligible medical expenses would be tax free. If a non-spouse beneficiary is named, the HSA ceases to be an HSA as of the date of death. In this case, the value of the HSA is taxable to the estate of the account holder. The non-spouse beneficiary includes the balance of the HSA in his or her income for the year of the account holder's death. Note: This same rule applies if the account holder names the estate or fails to designate a beneficiary.

ing of these withdrawals. To facilitate these reporting withdrawals, the IRS has release forms to be used by the parties involved.

- Regardless of whether HSA contributions are made by you or your employer, these contributions must be reported on your tax return. Contributions to and withdrawals from HSAs are reported by the account holder on Form 8889.
- The employer is required to report employer HSA contributions to the IRS on the tax return that is filed by the employer. Employer HSA contributions, including employee pre-tax contributions through a cafeteria plan, are also reported on the W-2 (Box 12, code W) for each employee.
- **The HSA information provided in this document is not intended as legal or tax advice. HSAs are authorized by federal legislation. State and/or federal laws could be passed in the future which may affect the tax benefits of an HSA. Tax benefits may also be affected by failure to comply with eligibility and withdrawal requirements. You should refer specific questions about federal and state tax ramifications, as they relate to a particular circumstance, to your tax advisor on a yearly basis.**

## IRS reporting requirements

- The IRS has stated that HSA contributions and withdrawals are reportable transactions. Tax deductions are generally available either to the eligible individual or the employer, hence the IRS wants to track contributions. Withdrawals from HSAs, if for eligible medical expenses, will avoid income tax consequences to the recipient. For this reason, the IRS requires the report-

# Glossary of terms

**Limited purpose FSA or HRA** – A limited purpose FSA is limited to expenses for permitted benefits. These benefits include vision, dental or preventive care benefits.

**Post-deductible health FSA** – A post-deductible health FSA provides reimbursement for all Section 213(d) expenses only after the HDHP deductible has been satisfied. Typically, expenses like vision, dental and preventive care are payable out of the post-deductible FSA during the deductible phase.

**Post-deductible HRA** – A post-deductible HRA provides reimbursements for all expenses determined eligible based on employer design, including HDHP out-of-pocket expenses (but not deductible expenses), only after the HDHP deductible has been satisfied.

**Suspended HRA** – A suspended HRA refers to instances where the employee has elected to discontinue reimbursements from the HRA except for preventive care and permitted benefits during the time period in which the employee is making contributions to an HSA. An employer may still “contribute” to a suspended HRA. Claims incurred during the time that the HRA was suspended cannot be paid at a later date when the HRA is no longer suspended, except claims for preventive care and permitted benefits.

**Retirement HRA** – An HRA that pays only for medical expenses after an employee reaches retirement and is no longer contributing to an HSA.

**EOB** – An EOB (Explanation of Benefits) is a form you’ll receive from Blue Cross each time you receive care. The EOB provides information about the care you received, what portion of the expense was covered by your plan and what portion is your responsibility.

**EOP** – An EOP (Explanation of Payment) is a form you’ll receive from SelectAccount when you make a withdrawal from your HSA, or when you receive reimbursement (if you have crossover).

**COBRA** – Short for Consolidated Omnibus Budget Reconciliation Act, a federal law under which employers with 20 or more employees must offer continuation of health care coverage to employees (and their dependents) when an employee leaves their job. The employee must pay the entire premium for coverage. Coverage can be extended for up to 18 months.

**USERRA** – Short for Uniformed Services Employment and Reemployment Rights Act, which was established in 1994 to protect people who voluntarily or involuntarily leave their civilian jobs to perform military duties. USERRA requires that employers allow such individuals and their dependents to remain covered by the company-sponsored health plan for up to 24 months, if they choose. If the individual decides not to continue coverage, they can be reinstated in the plan without any waiting periods or exclusions when they return to their civilian job.

## What does it mean?

**HSA** = health savings account

**HRA** = health reimbursement account

**FSA** = flexible spending account

**HDHP** = high-deductible health plan

**EOB** = explanation of benefits

**EOP** = explanation of payment



**BlueCross BlueShield  
of Minnesota**

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## How to get help

*You have a variety of options for getting help, if you can't find the information you need in these pages. Here are a few of the resources available to you as an Options Blue member:*

- **Online service center** – Visit myBlueCross, the online member service center available at [bluecrossmn.com](http://bluecrossmn.com)
- **Dedicated customer service** – Call Blue Cross customer service at the number on the back of your member ID card with questions about your health plan coverage, prescription drugs or networks. Call SelectAccount customer service at 1-800-859-2144 with questions about your HSA or your HSA investment accounts
- **Automated telephone self-service** – You also have the option of getting basic account information through our new interactive phone system when you call Blue Cross or SelectAccount customer service. This gives you access to information like your account balance, recent contributions and withdrawals, claims status, investment account balances, and more!