

HEALTH SAVINGS ACCOUNTS



HEALTH SAVINGS ACCOUNT (HSA) PLANS ARE TAX-ADVANTAGED SAVINGS ACCOUNTS . . . THEY OFFER FLEXIBILITY BY GIVING YOU NEW OPTIONS TO FUND OUT-OF-POCKET HEALTH EXPENSES.

HSAs allow a person to make tax-deductible contributions into an account to pay for a comprehensive list of medical expenses on a tax-free basis. Account holders can use the HSA for deductibles and coinsurance directly related to their medical plan, use the money for other qualified medical expenses or save money for retirement! Opening an HSA is easy.

1. SELECT A QUALIFIED HIGH-DEDUCTIBLE HEALTH PLAN (QHDHP)

A QHDHP is required to open an HSA. Once a QHDHP is selected, the HSA account may be opened.

2. SET UP THE HSA

Once approved for medical coverage, you submit to the HSA administrator the HSA account enrollment form (provided by Medical Mutual™), a required initial deposit and a signature card.

3. USE THE HSA

Once the HSA is opened, a welcome kit is sent to the account holder. The kit includes checks and a debit card that may be used to pay for qualified medical expenses. Once the account is opened, deposits can remain in the bank account, or there is a range of investment options. Statements are sent to account holders.

If you have questions regarding an HSA, call Customer Service at 866/889-8584.

HOW DOES A HEALTH SAVINGS ACCOUNT WORK?

A QHDHP IS REQUIRED

CURRENT PLAN



QUALIFIED HIGH-DEDUCTIBLE
HEALTH PLAN

QHDHP WORKS WITH THE HSA

QUALIFIED HIGH-DEDUCTIBLE
HEALTH PLAN



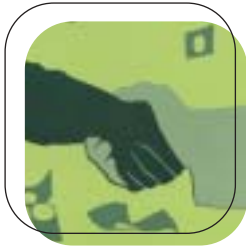
HEALTH SAVINGS ACCOUNT



BASIC HSA QUESTIONS & ANSWERS

HOW MUCH CAN BE CONTRIBUTED TO AN HSA?

THE MAXIMUM ANNUAL CONTRIBUTION TO AN HSA IS BASED ON STATUS, ELIGIBILITY AND HEALTH PLAN COVERAGE AS OF THE FIRST DAY OF THE MONTH. THE ACCOUNT CONTRIBUTION IS PRORATED BASED ON WHEN IT STARTS DURING THE YEAR.



MAXIMUM MONTHLY CONTRIBUTIONS FOR THE YEAR 2006:

- ▣ *For individual coverage*, the maximum monthly contribution is based on when the QHDHP starts (the number of calendar months remaining in the year) and is the annual deductible or \$2,700 (indexed for inflation after 2006), whichever is less.
- ▣ *For family coverage*, the maximum monthly contribution is based on when the QHDHP starts (the number of calendar months remaining in the year) and is the annual deductible or \$5,450 (indexed for inflation after 2006), whichever is less.



Note: In addition to the maximum contribution amount, catch-up contributions may be made by or on behalf of individuals age 55 or older, and younger than 65. These are also prorated based on the number of months the person has the QHDHP.

WHAT ARE QUALIFIED HSA EXPENSES?

- Health insurance plan deductibles, copayments and coinsurance
- Prescription and over-the-counter drugs
- Dental services, including braces, bridges and crowns
- Vision care, including glasses and lasik eye surgery
- Psychiatric and certain psychological treatments
- Long-term care services
- Medically related transportation and lodging
- Certain health premiums including COBRA (but premiums not while an active employee)

This is a partial list. Additional listings are included with the HSA welcome letter. For a full list, call 866/889-8584.

WHAT ARE HSA TAX ADVANTAGES?

Regardless of who contributes, the HSA accumulates tax-free. HSA after-tax contributions are tax-deductible. Much like an IRA, HSA deductions are “above-the-line,” and thus can be deducted even if the taxpayer does not itemize. Account holders can access the HSA for qualified medical expenses tax-free. Contact your tax advisor for more information.