



HSAs: How they work to **save** you money



Recognized expertise in human resources and finance — BenefitWallet

BenefitWallet and The Bank of New York Mellon (BNY Mellon) provide a seamless Health Savings Account (HSA) solution. With best of class components from two Fortune 500 companies, we are uniquely positioned to offer HSA establishment, an integrated investment platform, recordkeeping and customer service support.

We offer a suite of services to support many variations on the HSA model, with multiple payment options. Administration specifics are highly flexible. And what makes BenefitWallet unique is the combination of services and options we can provide on behalf of our insurance company and third-party administrator partners.

The key to BenefitWallet's seamless solution is an integrated, efficient workflow that offers:

- Minimal administrative burden for employers or other plan sponsors;
- Timely and efficient handling and payment of claims; and
- A convenient, streamlined process for members.

BenefitWallet and BNY Mellon can provide this integrated service because our organizations offer the unique combination of the following capabilities:

- Financial expertise, including high-volume transactional banking, professional management of investment funds and account recordkeeping;
- Health plan expertise, including specialists in consumer- directed health care, and previous experience with Medical Savings Accounts (MSAs); and
- Health and welfare plan administration experts.

Our combination of expertise and capabilities can fully capitalize on the potential of HSAs and translate that potential into success for both employers and members.

Our seamless HSA solution includes these specific administration services:

- A single, real-time system that maintains the actual balance in each HSA at any moment in time, and responds to real-time requests for funds from health care payment cards or checks. (Integrated medical and pharmacy benefit management (PBM) claims processing is available online.)
- Recordkeeping services (average balance calculations that include consideration of check deposits with delayed availability and the calculation of interest using average daily balances).
- A stand-alone HSA checking account product that is integrated with the HSA system.
- Custodial accounts (both an interest-bearing demand deposit account and a market-based, long-term investment vehicle for HSA balances in which members may invest for future qualified health care expenses and retirement).
- BenefitWallet Service Center to handle transactional account inquiries and requests from members.
- Web-based tools and online education help members select investments and expand investment knowledge.
- Fulfillment services (distribution of application and disclosure forms).
- Health care payment card issuance.
- Online bill pay.
- Multiple deposit options (Automated Clearing House (ACH), check or wire).
- Account statements.
- Tax report filings with the IRS; printing and mailing of Forms 5498SA and 1099SA to members.
- The remainder of this document discusses workflows for specific administration processes.

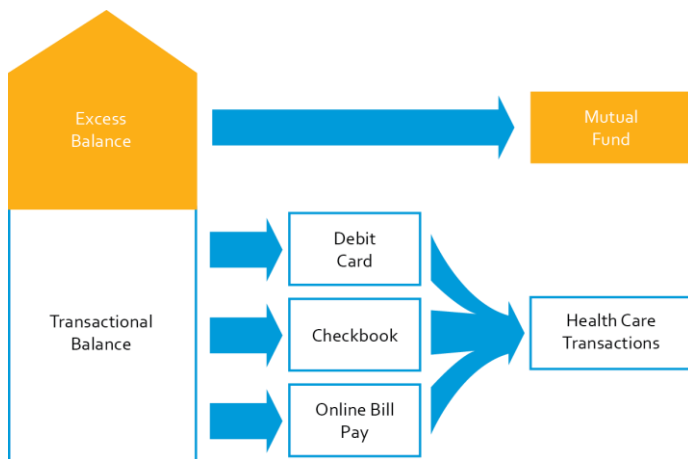


Building blocks to BenefitWallet's approach

In this model, the member maintains a certain portion of his or her HSA balance as a “transactional balance” in an interest-bearing checking account* that is readily available to pay out-of-pocket health care transactions. For the member's convenience, he or she can make these payments with a health care payment card, an account checkbook or use the online bill pay system.

An integrated investment platform offering 22 investment options is available for HSA contributions that exceed the required transactional balance. These investment options offer the opportunity to accrue earnings that help the account balance grow faster and keep growing as long as the member maintains the HSA.

*Deposit accounts provided by The Bank of New York Mellon Member FDIC



Member enrollment workflow

1. The health plan distributes HSA enrollment material along with health plan enrollment material.
2. The employee selects the High Deductible Health Plan (HDHP) and HSA, and completes the enrollment form.
3. The health plan sends BenefitWallet a file of enrollment information (which includes name, address and Social Security Number) for new HSA members.
4. BenefitWallet sends the new HSA member a Welcome Kit with an HSA overview, signature card, disclosure statement and beneficiary designation form.
5. The member provides additional identification and enrollment information as needed by mail or through electronic signature, designating an account beneficiary and signing and returning a signature card. (BenefitWallet must have the member's signature on a bank-issued card in order to process HSA withdrawals and to comply with the requirements of the federal USA PATRIOT ACT.)
6. BenefitWallet opens the HSA and sends the employee a health care payment card and checkbook to use with the account.

Funding (contribution) workflow

Each year, members may contribute up to an annual amount specified by the IRS

- For 2013, that annual contribution limit is \$3,250 for individual coverage and \$6,450 for family coverage.
- For 2014, that annual contribution limit is \$3,300 for individual coverage and \$6,550 for family coverage.

Members age 55 and older may make additional catch-up contributions of up to \$1,000 (for 2013 and 2014).

1. The employer sends HSA contributions (both employer and employee) to BenefitWallet via one of the following methods:

- ACH
- Lump-sum check and list of names
- Wire and data file of names

2. The employee may send additional deposits to BenefitWallet directly by check, ACH or account-to-account transfers.

3. In addition, if the member has a Medical Savings Account (MSA) he or she may transfer MSA funds into the HSA. However, rollover balances in a Health Reimbursement Account (HRA) may not be transferred to an HSA.



Workflow for different payment options

BenefitWallet offers the convenience of multiple payment options for quick transactions with minimal paperwork. There is no minimum distribution amount. In the standard model, a member can make payments directly from his or her HSA via a health care payment card or an account checkbook. In addition, BenefitWallet has the capability for online direct billing of medical and PBM claims.

Payment of medical services or products

1. The member requests medical services or products from the provider.

Note: Dental and vision care charges are considered “qualified medical expenses” for HSA payment if they are deductible under current tax rules. (For example, teeth whitening is generally not deductible and would not be considered a qualified medical expense.)

2. The provider sends a claim to the health plan using existing processes.

3. The health plan prices the claim to ensure the member receives negotiated discounts, adjudicates the claim and tracks the deductible.

4. The health plan uses employer or insurance funds for eligible preventive services and/or amounts over the deductible, as applicable.

5. The health plan sends a Provider Claim Summary and applicable payment to the provider.

6. The member uses a check or health care payment card for payment from the HSA for any balance due for medical services or products.

- There is no limit on the number of checks the member may write.
- The health care payment card has a layer of merchant codes restriction that restricts transactions at vendors that do not typically offer qualified medical expenses.

Payment of network pharmacy charges

For payment of prescription drugs:

1. The member requests a prescription drug from a pharmacy and presents his/her health plan ID card.

2. The pharmacy submits a claim to the PBM using existing processes.

3. The PBM verifies eligibility, prices the transaction, and checks the status of the deductible.

4. The PBM advises the pharmacy to collect the required amount.

5. The member uses a health care payment card for payment. (The health care payment card has a layer of merchant codes restriction that restricts transactions at vendors that do not typically offer qualified medical expenses.)

Optional online/direct bill payment of medical services

1. The member receives services from the health care provider and presents his or her health plan ID card.
2. The provider submits a claim to the health plan using existing processes.
3. The health plan prices and adjudicates the claim in accordance with negotiated provider discounts, and tracks the deductible.
4. The health plan charges either an insurance pool or employer funds for covered services.
5. The health plan sends the member an Explanation of Benefits (EOB) that shows the amount paid (or if the claim is denied, provides the reason for the denial).
6. The member uses a check or health care payment card for payment from the HSA for any balance due for medical services or products.
 - There is no limit on the number of checks the member may write.
 - The health care payment card has a layer of merchant codes restriction that restricts transactions at vendors that do not typically offer qualified medical expenses. It can be used at an Automatic Teller Machine (ATM).

Paying medical and pharmacy charges without HSA funds

HSA members also have the option not to use their HSA balances for health care and pharmacy charges. Members may instead pay out-of-pocket expenses with after-tax dollars allowing their HSA balances to grow tax free.



Investment options

BenefitWallet uses a dual-account model, as shown in the figure on page 2. One account within the HSA, the “transactional” account, is for payment of health care purchases. This demand-deposit checking account is established when the member enrolls in the HSA.

Once the balance in the transactional account has reached a certain minimum dollar level, the HSA member is allowed to open an investment account.* The member has the opportunity to invest HSA dollars among 22 investment options within a variety of fund families. Account assets may be moved among investment options daily, subject to standard limitations to prevent “market timing.”

For use in qualified health care purchases, investment account money must first be moved to the transactional account. Transfers between accounts are made via ACH.

* Securities in investment accounts:
are not FDIC insured
are not guaranteed by any bank
may lose value

Member account management

The individual who owns the HSA has control over the account's assets. Here is some helpful information for HSA members:

Correcting account information: To change incorrect personal account information such as name, or Social Security number, the member should contact the High Deductible Health Plan. To change data such as residential, mailing or email address and phone number, the account holder can complete online or through the BenefitWallet Service Center.

Adding other names to the account: The account owner is the only name allowed on the HSA. However, that person can authorize other individuals to sign checks drawn on the account or request additional health care payment cards for eligible family members. To request additional cards, the account owner can contact the BenefitWallet Service Center or access the website at **mybenefitwallet.com**.

Statements: HSA statements are available online at our website at **mybenefitwallet.com**. After each investment transaction, a confirmation email will be sent to the member's email address on file.

Coordination with an FSA: If the HSA member also has a health care Flexible Spending Account (FSA), certain rules apply. The Internal Revenue Service (IRS) requires that HSA funds be used before the member applies for FSA reimbursement of qualified medical expenses. Note: The FSA can be used only to cover expenses not covered by the member's High Deductible Health Plan, as well as dental, vision and preventive care expenses.

Leaving an employer: The HSA is portable. If the member leaves his current employer, he or she can continue to withdraw account funds. Any remaining account funds will continue to grow tax free. To continue contributing to the HSA, however, the member must be enrolled in a HDHP.

Reaching age 65: Once a member reaches age 65, the HSA funds can be withdrawn, tax free, to pay qualified health expenses and certain insurance premiums (excluding purchase of a Medigap policy). If used for other expenses, the withdrawal will be taxable.

Closing an account: To close an HSA, the member must call the BenefitWallet Service Center.

Using HSA funds for non-qualified expenses: If the HSA funds are used for costs other than qualified medical expenses, those distributions will be subject to ordinary income tax and, in some cases, a 20 percent penalty.

Rollovers of HSA funds: A member can roll funds into another HSA, but cannot roll these funds into an IRA, 401(k) plan or any other retirement savings vehicle.

Note: This is not intended to be a complete summary of all provisions relating to Health Savings Accounts (HSAs).

