

Health Savings Account

How it works — and how it can work for you!



What is an HSA?

A Health Savings Account (HSA) is a triple tax-advantaged savings account you can contribute to if you enroll in a High Deductible Health Plan (HDHP) and meet eligibility requirements. You contribute on a pretax basis, you earn interest tax-free and your eligible withdrawals are tax-free.

Note: Tax advantages may vary by state.



Here’s how it works

CONTRIBUTE

Ames: Contributes a portion to the employee's account each month.
Employees: Through pretax payroll deductions, up to the annual contribution limit set by the IRS.

USE

Funds in your HSA to help pay for eligible health care expenses.

SAVE and INVEST

The funds to pay for future health care costs; even in retirement.



- Your employer may also contribute to your account on your behalf.
- Funds left over at the end of the year roll over to the next year.
- If you leave the company, all of the funds in your HSA go with you.

Eligible expenses must be considered “qualified” by the IRS and include:

Medical, dental and vision deductibles and coinsurance amounts

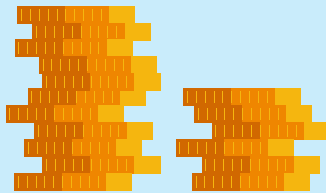


Over-the-counter medications and menstrual products



Medical equipment

Medicare premiums for HSA holders age 65 or older (excluding supplemental plans)



For a copy of IRS Publication 502, which lists all eligible expenses, visit www.irs.gov and click on “More Forms and Publications.”

What is a HDHP?

As the name suggests, HDHPs have a higher deductible; however, the monthly cost for coverage is lower. With the exception of preventive care benefits, the plan does not begin to cover eligible medical and pharmacy expenses until the annual deductible is met.



Why would you choose an HDHP?

It comes down to how you want to pay for coverage.

- If you choose a traditional plan, you will have a lower deductible, but you will pay more in premiums for coverage you may not use.
- If you choose the HDHP, you will have a higher deductible, but you will pay less in premiums.

So ask yourself...instead of paying higher premiums for a traditional plan, could you enroll in the HDHP and take the savings in premiums to contribute to the HSA? Then you will have tax-free funds to pay for health care when you need it.

How your HDHP and HSA work together

Each time you receive health care services and incur a charge, you can:

- Pay for the costs out of your HSA tax-free.
- Pay out of your own pocket and save your HSA for future eligible expenses—even in retirement!



Accessing funds

There are several ways to access the funds in your HSA. Your employer might:

- Give you the option for automatic withdrawal
- Require you to submit a completed claim form



Investing your HSA

When your HSA reaches a certain minimum amount you may be able to invest it in stocks, bonds, mutual funds and other investments to earn interest tax-free.



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Examples of savings using HSAs

Michael

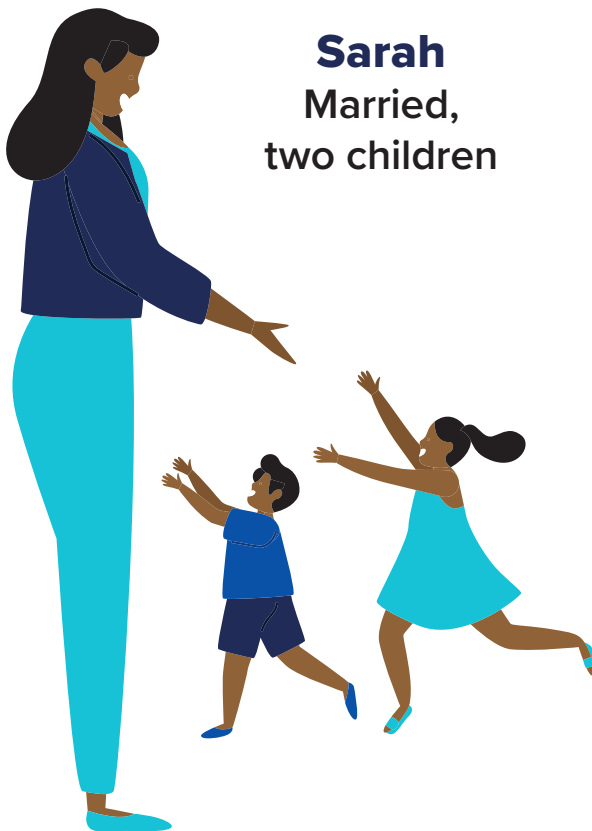
Single, no children



Medical expenses	\$1,850
Annual deductible (paid from HSA)	-\$1,500
Balance of medical expenses	\$350
Plan pays 80% after deductible	-\$280
<ul style="list-style-type: none"> Michael owes \$70 <ul style="list-style-type: none"> 20% after deductible is met He uses the funds in his HSA to pay 	\$70

Health Savings Account	
Total contributions	
• \$750 from employer	
• \$750 from Michael	\$1,700
• Plus \$200 rollover from prior year	
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Total payments	
• Less annual deductible	-\$1,500
• Less \$70 that Michael owes	-\$70
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Balance rolls over for use the following year	\$130

Sarah
Married,
two children



Medical expenses	\$4,800
Annual deductible (paid from HSA)	-\$2,600
Balance of medical expenses	\$2,200
Plan pays 80% after deductible	-\$1,760
<ul style="list-style-type: none">• Sarah owes \$440<ul style="list-style-type: none">• 20% after deductible is met \$440• Pays for \$100 of it with her HSA	

Health Savings Account	
Total contributions	
• \$1,500 from employer	\$2,700
• \$1,200 from Sarah	
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Total payments	
• Less annual deductible	-\$2,600
• Less \$100 of the \$440 that Sarah owes	-\$100
No balance remains for use the following year	
	\$0

Note that reimbursement from HSA funds is limited to the amount of money available in the account at that time. You can adjust your HSA contribution during the year if needed.

Need more information?

For more information on how these plans work, please refer to your benefits guide or contact your Human Resources department.