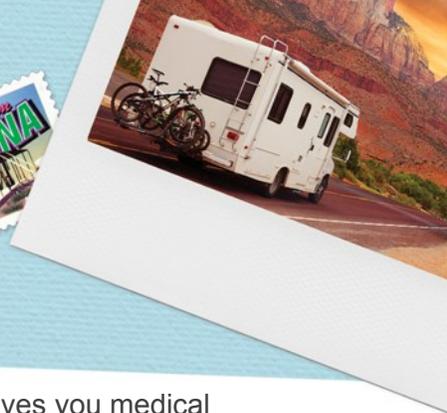




## MY K-C BENEFITS ROAD TRIP TO YOUR FUTURE



The Consumer Driven Health Plan (CDHP) with a Health Savings Account (HSA) gives you medical coverage coupled with an HSA that you and Kimberly-Clark (K-C) fund with pre-tax contributions. You can use money in your HSA to pay for your qualified expenses, including medical, prescriptions, dental, and vision.

The following information does not constitute legal, tax, or benefit plan design advice. K-C strongly encourages consultation with a tax advisor before establishing an HSA. Any HSA will be established between the individual account holder and the HSA custodian or trustee. Anthem is responsible for the administration of the health plan, and the custodian is responsible for the administration of the HSA.

Updated May 2017

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### About the HSA

#### Q1: What is an HSA?

**A1:** An HSA is an individually owned, tax advantaged account that may be used to pay for qualified expenses or saved for retirement and long term care expenses. It is portable, so you do not give up the account when you change jobs or become unemployed.

#### Q2: What are the tax advantages of an HSA?

**A2:** HSA has a triple-tax advantage:

- No federal taxes on contributions made by you, K-C, or anyone else to your account;
- Earnings on your HSA are tax-free except in some states;
- Funds withdrawn to pay for qualified health care expenses are not subject to taxes or penalties.

## About the HSA, Cont.

### Q3: Who is eligible to open and contribute to an HSA?

**A3:** To be eligible, you must meet these criteria:

- You must be covered by an HSA-compatible health plan, such as the CDHP with an HSA.
- You cannot be covered by any other medical plan that is not an HSA-compatible health plan. This would include being enrolled in your spouse’s plan as secondary coverage or if you or your spouse has a general-purpose flexible spending account (FSA).
- You must be enrolled in the plan on the first day of the month (otherwise, your eligibility to make contributions to your HSA begins the first day of the following month). You may make the maximum annual HSA contribution for the year regardless of the month you become eligible.
- You must not be enrolled in Medicare or other government-sponsored medical plan such as TriCare or have received health benefits or prescription drugs from the Veterans Administration (VA) or one of its facilities in the last three months. However, beginning 1/1/16, hospital care or medical services received under any law administered by the Secretary of Veterans Affairs for a service-connected disability is considered allowable coverage.
- You must not be eligible to be claimed as a dependent on another individual’s tax return.

### Q4: How does my HSA get opened?

**A4:** K-C’s HSA administrator, ConnectYourCare will receive notice of your enrollment into the CDHP with an HSA. ConnectYourCare will initiate the request to open your HSA with UMB Financial Corporation (UMB). UMB will perform a background check as required by the USA Patriot Act. If all requirements are met, the account will be opened in your name. Other than providing information UMB may need from you as part of the background check, no action is needed by you to open your HSA. Account information along with the terms and conditions of using the account will be sent to you.

### Q5: What happens if UMB needs additional information for my background check?

**A5:** UMB will send a letter to you requesting documentation to confirm the data in question. You may be asked for a copy of your driver’s license or state issued ID, birth certificate, or a copy of a recent bill. UMB may also follow up by phone if they don’t receive a response from you. Be sure to provide the requested information in a timely manner to avoid a delay in opening your account.

### Q6: What is an HSA-compatible health plan?

**A6:** HSA-compatible health plans are insurance plans that meet the Internal Revenue Service (IRS) minimum

2017 required IRS limits	Individual	Family (2-Party & 2-Party Plus)
Minimum Annual Deductible	\$1,300	\$2,600
Annual Out-of-Pocket Maximum (OOP max)	\$6,550	\$13,100

deductible and maximum out-of-pocket limits. For calendar year 2017 the following limits apply:

These limits do not apply to out-of-network deductible or OOP max. When paired with an HSA, HSA-compatible health plans can provide tax advantages. You must participate in an HSA-compatible health plan in order to open an HSA.

### Q7: What are some types of insurance that I can have and still open an HSA?

**A7:** You can still have the following insurance plan coverage:

- Dental
- Vision
- Long-term care
- Disability
- Accident

You can also have additional insurance that provides benefits only for the following:

- Liabilities under workers’ compensation laws, tort liabilities, or liabilities related to ownership or use of property;
- Specific disease or illness; and
- Fixed amounts per day or other period of hospitalization.

## About the HSA, Cont.

### **Q8: Is there any other insurance coverage that would cause me to not be eligible for an HSA?**

**A8:** Yes, if you have any one of the following you cannot open or contribute to an HSA:

- You or your spouse has a general-purpose health care spending account (FSA)
- Medicare or TriCare
- Health benefits or prescription drugs received from the Veterans Administration or its facility in the last three months. However, beginning 1/1/16, hospital care or medical services received under any law administered by the Secretary of Veterans Affairs for a service-connected disability is considered allowable coverage.
- Social Security Disability Insurance (SSDI)

### **Q9: Can my eligible dependent and I have a joint HSA?**

**A9:** No. HSAs are individually owned accounts. However, if you cover your spouse on your CDHP with an HSA benefit, he/she can open an HSA with any financial institution. The same is true for any adult children on your coverage. These HSAs will not be established automatically like your account—it will be up to your dependent(s) to open their own account. Keep in mind that IRS limits will still apply to your family even though there may be separate accounts. Your family is responsible for making sure contributions don't exceed IRS limits.

### **Q10: If my spouse is covered by a non-HSA compatible medical plan with family coverage can I still open an HSA?**

**A10:** Yes, as long as you're not covered under your spouse's medical plan.

## Contributions to Your HSA

### **Q11: How is my HSA funded?**

**A11:** Your HSA is funded by K-C (active employees only) and you, if you choose to contribute. If you're an active employee, you can make pre-tax contributions that are deducted from your paycheck and deposited directly into your HSA automatically. All HSA users can contribute post-tax by depositing/transferring money directly into the UMB account. Others, such as family members, can contribute to your account as well. The total of all contributions cannot exceed the maximums defined by the IRS.

### **Q12: How much will K-C contribute to my HSA?**

**A12:** If you're an active employee and enrolled in the CDHP with an HSA on January 1, 2017, K-C will contribute \$700 for individual coverage and \$1,400 for 2-Party and 2-Party Plus coverage. K-C doesn't make a contribution for former employees.

### **Q13: When will K-C make its contribution to my HSA?**

**A13:** The amount K-C contributes to your HSA will be available for use on January 1, 2017; however due to the New Year's bank holiday, the funds will actually be deposited to your account as a cash balance by January 4, 2017.

### **Q14: Will the K-C contribution amount change if I am on individual coverage and move to 2-Party or 2-Party Plus coverage during the year?**

**A14:** Yes, K-C prorates the additional \$700 contribution based on the first of the month after the coverage tier change. For example, if your coverage changes from individual to 2-Party on May 2, you will get an additional \$408.33 ( $\$700/12 \text{ months} * 7 \text{ months}$ ).

### **Q15: Will the K-C contribution amount change if I am on 2-Party or 2-Party Plus coverage and switch to individual coverage during the year?**

**A15:** No.

## Contributions to Your HSA, Cont.

### Q16: How much can I contribute to my HSA?

**A16:** The total 2017 annual contribution maximum set by the IRS is \$3,400 for individual coverage and \$6,750 for 2-Party and 2-Party Plus (family) coverage. There also is an additional \$1,000 catch-up contribution that you can make if you're age 55 or older and not enrolled in Medicare. If you're an active employee and have individual coverage, K-C will contribute \$700 and you can contribute up to \$2,700 (or \$3,700 if you are/will be age 55 or older in 2017). If you're an active employee and have 2-Party or 2-Party Plus coverage, K-C will contribute \$1,400 and you can contribute up to \$5,350 (or \$6,350 if you are/will be age 55 or older in 2017).

If you are a retiree, you can still contribute as long as you meet the eligibility requirements for contributing to an HSA (see question above: Who is eligible to open and contribute to an HSA?). Your contribution amount is limited to \$3,400 (or \$4,350 if you are/will be age 55 or older in 2017) for individual or \$6,750 (or \$7,750 if you are/will be age 55 or older in 2017) for 2-Party or 2-Party Plus since K-C does not make a contribution for you. Your contributions will be post-tax contributions.

### Q17: How do I make contributions to my HSA?

**A17:** There are a few ways that you can make a contribution to your HSA:

#### Pre-tax payroll deductions

- When you enroll in the CDHP with an HSA you can elect an annual amount that you want to have deducted from your pay. The annual amount will be divided over your pay periods for the year.

#### Post-tax contributions

- Electronic Funds Transfer or personal check: You can make deposits using personal funds directly into your HSA. You'll receive information about these options with your Welcome Kit when you enroll.
- Lump-sum payroll direct deposit: Similar to other savings accounts, you can set up your HSA to receive deposits from your pay in Workday. Call the HR Contact Center at **866-444-4516** if you need help. Keep in mind that you're responsible for starting and stopping contributions and making sure you don't exceed the IRS contribution limit.

### Q18: How does the money that I contribute to my HSA help me save on taxes?

**A18:** As long as you meet the HSA eligibility rules,

- There are no federal income taxes or payroll taxes on contributions that you make into your HSA.
- Earnings on the HSA funds are not taxable (federal).
- Withdrawals are not taxable as long as they are used to pay for qualified health care expenses.

Contributions and earnings are currently subject to state (and some local) income tax in Alabama, California, and New Jersey. Unless these states elect to change taxation of HSA contributions and earnings, state income tax will apply. If you live in Alabama, California, or New Jersey, K-C's contribution to your HSA will be added to your state (and local where applicable) taxable earnings in the first pay period in 2017 (or after April 1 if your HSA is delayed). This means that, for one pay period, you'll see an increase in your state (and local, if applicable) taxes. For questions about your tax withholding, call the K-C HR Contact Center at 866-444-4516 Monday through Friday 8 a.m. to 6 p.m., ET. Consult with your tax advisor to learn more.

### Q19: How often can I change my HSA contribution amount each year?

**A19:** You can begin, change, or stop your pre-tax payroll deductions through K-C Benefit Compass at any time during the year. Remember any change only effects future contributions and will take effect on the first full pay period following the date you change your contribution.

### Q20: If I enroll in Medicare or TriCare can I still contribute to my HSA?

**A20:** No, once you enroll in Medicare or TriCare you can no longer make contributions to your HSA.

## Contributions to Your HSA, Cont.

### Q21: If my spouse has a general-purpose FSA can I contribute to an HSA?

**A21:** No, if your spouse has a general-purpose FSA you're considered as covered by the general-purpose FSA and cannot contribute to an HSA.

### Q22: What if I contribute too much to my account during a year and exceed the annual maximum contribution?

**A22:** If you exceed the annual maximum contribution in a calendar year, the following apply:

- You must pay an excise tax on the excess contributions in the year you make the excess contribution unless you do the following: 1) Withdraw the excess contributions by the due date, including extensions, of your tax return for the year the contributions were made; 2) Withdraw any income earned on the excess contributions and include the earnings in "Other Income" on your tax return for the year you withdraw the contributions and earnings.
- If you don't withdraw the excess contributions or income earned on excess contributions by the due date, including extensions, of your tax return, excess contributions and earnings on those excess contributions must be included in your income for tax purposes.

### Q23: How much can I contribute if I join the plan after the start of the calendar year?

**A23:** To enroll in the CDHP with an HSA midyear, you must do so within 30 days of a qualified status change such as marriage or the birth of a child, etc. If you're an active employee, K-C will make a prorated contribution to your HSA. The amount you can contribute is the difference between the IRS limit and the amount K-C contributions (plus \$1,000 if you are/will be age 55 or older in the calendar year). When you enroll on K-C Benefit Compass, the system will provide you with your maximum contribution amount. If you're not an active employee, you can contribute up to the IRS limit for the calendar year.

### Q24: Does the annual contribution maximum change if I change from individual coverage to 2-Party or 2-Party Plus during the year?

**A24:** Yes, if you move from individual to 2-Party or 2-Party Plus during the year and remain in the plan the entire next year, your annual contribution maximum is the family annual contribution maximum. If you do not enroll in the CDHP with an HSA for the next year, you may be subject to taxes and penalties on your contributions. Contact your tax advisor to learn more.

### Q25: What if I terminate coverage prior to the end of the year?

**A25:** If you end employment with K-C, you can continue contributing to your HSA *only* if you continue participating in an HSA-compatible health plan. If you leave during the year and do not enroll in another HSA-compatible plan, the annual contribution maximum is prorated based on the number of months that you were enrolled. If you fund your account for the entire year but leave the plan prior to the end of the year and do not join another HSA-compatible health plan, you will need to withdraw excess contribution dollars before the end of the tax year and treat these funds as taxable income if you have over-funded the account. Otherwise, you may face tax penalties. Contact your tax advisor to learn more.

### Q26: What if both my spouse and I have an HSA?

**A26:** If both of you have an HSA and are enrolled in an HSA-compatible plan and meet all other eligibility requirements, both of you can contribute to an HSA. The maximum that can be contributed depends on if you both have individual coverage or if just one of you has family coverage under the HSA-compatible plan.

- If both of you have individual coverage, you both can contribute, including employer or other contributions, a maximum of \$3,400 to an HSA. Plus if you're age 55 or older, you can contribute an additional \$1,000 to your HSA. Your spouse age 55 or older can contribute an additional \$1,000 to their HSA too.
- If either one or both of you have family coverage, your and your spouse's combined annual HSA contributions are limited to the family maximum of \$6,750. The contribution limit is split equally between you and your spouse's HSA, unless you agree on a different division. Plus if you're age 55 or older, you

## Contributions to Your HSA, Cont.

**Q27: Can I accelerate the deductions into my HSA early in the year at an annualized rate that would exceed the IRS limit, but then “turn them off” once the balance is at or near the limit? How about lump sums?**

**A27:** No, you can't elect more than the annual limit on K-C Benefit Compass. The amount you elect as the contribution is divided evenly throughout the year from your pay on a pre-tax basis. If you want to contribute at the beginning of the year, you can make an after-tax contribution directly into the HSA and then adjust your taxes when you file your income tax return. You could also have payroll do a direct deposit into the HSA but it would be after-tax as well. You can also log into ConnectYourCare.com and set up contributions directly from your personal bank account.

**Q28: If my spouse has an HSA can we roll over my spouse's HSA balance into my account or vice versa?**

**A28:** No, an HSA is an individually owned account and accounts cannot be combined.

**Q29: What if I have money left in my HSA at the end of each calendar year?**

**A29:** Whatever you don't spend is yours to keep and save year after year. Your HSA can help you pay for future medical expenses.

**Q30: Can I roll over or transfer funds from my Individual Retirement Account (IRA) to my HSA?**

**A30:** Yes, the Tax Reform and Health Care Act of 2006 authorized a one-time transfer of funds from an IRA to an HSA. The transferred amount, when combined with other HSA contributions for the year, may not exceed the annual contribution maximum. Also, after making such a transfer, you must continue to participate in a qualifying HSA-compatible health plan for 13 consecutive months, beginning in the month of the IRA to HSA transfer. Otherwise, you will be subject to income taxes and a penalty tax on the transferred amount, except in the case of death or disability. You can make an IRA transfer by requesting it through the institution that holds your IRA.

**Q31: Can I transfer or roll over funds from my HSA to an IRA?**

**A31:** No, you may not roll over or transfer funds from your HSA to your IRA.

**Q32: How do I access funds after I reach age 65?**

**A32:** Once you reach age 65 your funds can be withdrawn at any time and are only subject to ordinary income tax. However, you may avoid any tax by continuing to use the funds for qualified medical expenses. For those over age 65 premiums for Medicare Part A or B, Medicare HMO and employee premiums for employer sponsored health insurance can be paid from an HSA.

**Q33: Can I transfer or roll over my HSA balances from another trustee to UMB?**

**A33:** Yes, there are two ways that you can do this:

1. HSA trustee-to-trustee transfer: This is when you move HSA funds directly from one HSA trustee to another HSA trustee. You must be the owner of both accounts. There are no limits to the number of trustee-to-trustee transfers you can make in a 12-month period and does not count toward your contribution limits for the year.
2. HSA rollover: This is when the funds are sent directly to you from your HSA. If this happens you have 60 days to get the funds back into another HSA that you own without incurring taxes or penalties. Only one rollover can be completed in a 12-month period and does not count toward your contribution limits for the year.

## Distributions from Your HSA

### Q34: What can I pay with my HSA funds?

**A34:** You can pay or reimburse yourself for the following expenses tax-free:

- Qualified expenses you incur after you open the HSA but are not paid by a plan. This could include out-of-pocket medical expenses subject to the CDHP deductible and coinsurance, as well as additional expenses such as dental and vision.
- Long-term care insurance premiums (limits apply).
- COBRA premiums for yourself, your spouse, or eligible dependents.
- Health care coverage while receiving unemployment compensation under federal or state law for yourself, your spouse, or eligible dependents.
- Medicare and other health care coverage premiums if you're 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap). If you're 65 and older and your spouse, or your dependents are age 65 or older, you can pay for their Medicare and other health care coverage other than premiums for a Medicare supplemental policy, such as Medigap.

### Q35: Is there a list of qualified medical expenses?

**A35:** Yes, the complete list is governed by the IRS. You can go to <http://www.irs.gov/publications/p502/ar02.html> to see the list.

### Q36: What if I use HSA funds to pay for non-qualified expenses?

**A36:** The amount you spend on non-qualified expenses will be considered part of your taxable income. You will also owe a penalty on that amount. However, if you reach the age of 65 or die, distributions may be used for other purposes without being subject to the penalty. Income taxes will still apply.

### Q37: Whose expenses can I pay from my HSA?

**A37:** You can pay qualified medical expenses incurred by the following people:

- You and your spouse,
- All dependents you claim on your tax return,
- Any person you could have claimed as a dependent on your return except that:
  - The person filed a joint return,
  - The person had gross income of \$4,000 or more, or
  - You, or your spouse if filing jointly, could be claimed as a dependent on someone else's tax return.

A child of parents who are divorced, separated, or living apart for the last 6 months of the calendar year is treated as the dependent of both parents whether or not the custodial parent releases the claim to the child's tax exemption. **NOTE:** Even though you can cover a dependent child up to age 26 on your CDHP with an HSA or other K-C medical plan, adult children may not qualify as tax dependents on your tax return. If that is the case, you cannot use your HSA funds to pay for their qualified medical expenses or other qualified premiums described above. However, if your dependent is covered by the CDHP with an HSA, your dependent can open his or her own HSA and contribute up to the full family maximum. Your dependent's contributions to their own HSA would not be subject to limits based on what you contribute to your HSA.

### Q38: Who can I cover with my HSA?

**A38:** Any qualified tax dependent under IRC section 152.

### Q39: Can I pay for qualified expenses incurred before I opened my HSA?

**A39:** No, only expenses incurred after you establish your HSA are considered qualified. Anything incurred before you establish your HSA are not qualified expenses.

## Distributions from Your HSA, Cont.

**Q40: What if I over pay for my medical care and then receive a refund—will I have to pay taxes and a penalty?**

**A40:** As long as you reimburse your HSA by April 15 or your tax return deadline, you will not have to pay taxes or a penalty on the distribution.

**Q41: Can I take a loan from my HSA to pay for a personal item?**

**A41:** No. Loans are not allowed from your HSA.

**Q42: Do I have to use funds from my HSA to pay for medical expenses and prescriptions?**

**A42:** No. You can pay out of pocket with after-tax dollars and let your HSA balance grow tax-free.

**Q43: How can I get money from my HSA to pay for qualified expenses and other eligible expenses?**

**A43:** If you're an active employee, ConnectYourCare will issue you a debit card. If you're not an active employee, UMB will issue your debit card. Additional cards can be requested for eligible dependents. ConnectYourCare also offers online tools to help you manage claim payments and transfers to your personal account for reimbursement.

**Q44: What if I move into a non-HSA compatible plan such as the PPO—can I still use my HSA to pay for qualified expenses?**

**A44:** Yes.

**Q45: What restrictions are there if I choose the CDHP with an HSA and cover my spouse, who is enrolled in Medicare?**

**A45:** If you cover your Medicare-enrolled spouse, you can use your HSA to pay for any qualified expense not covered by Medicare or another plan. If you're age 65 or older, you can use the HSA to pay for Medicare premiums for your spouse. Your spouse being in Medicare does not impact your contributions into the HSA. Note: You cannot be enrolled in Medicare and open or contribute to an HSA.

**Q46: What restrictions are there if I choose the CDHP with an HSA and cover my spouse, who is eligible and enrolled in Tricare?**

**A46:** If you cover your Tricare-enrolled spouse, you can use your HSA to pay for any qualified medical expense not covered by Tricare or another plan. Your spouse being in Tricare does not impact your contributions into the HSA. **NOTE:** You cannot be enrolled in Tricare and open or contribute to an HSA.

**Q47: Should I keep my receipts?**

**A47:** Yes, you should keep your receipts for services you've received. Since you own the HSA, you're responsible for providing documentation to the IRS, if you ever need to, for the expenses charged to your HSA.

## Managing the Money in Your HSA

**Q48: Who holds the money in my HSA?**

**A48:** UMB is the trustee.

**Q49: How do I find out my HSA balance?**

**A49:** It's easy. Log in to K-C Benefit Compass and click on the ConnectYourCare link on the *Get Help* page. You can also go directly to [connectyourcare.com](https://connectyourcare.com) or use the ConnectYourCare mobile app.

**Q50: Will my HSA earn interest?**

**A50:** Yes, the HSA is an interest-bearing savings account.

## Managing the Money in Your HSA, Cont.

### Q51: Can I invest my HSA?

**A51:** Yes. You'll need to reach a minimum balance of \$1,000 in your HSA before you can begin investing. You must maintain that minimum balance in your Base account, and then you can invest any additional amount in the investment funds available. You will be able to see the investments available online.

### Q52: Are the interest and investment earnings in my HSA tax-free?

**A52:** Yes, when the funds are distributed and used for a qualified health care expense. Interest and investment earnings grow tax-free in the account.

### Q53: Are any administrative fees charged to my HSA?

**A53:** As long as you're an active employee, the only fees that you will pay are investment fees if you begin to invest in brokerage accounts.

### Q54: Is there a time restriction on when I may use the funds in the account?

**A54:** No. There is no time restriction on when funds may be used. Once funds have been contributed to the HSA, they may be used at any time in the future for qualified health care expenses.

### Q55: If I leave the CDHP with an HSA and decide to move into the PPO or another non-HSA compatible medical plan, what happens to my HSA?

**A55:** You own your HSA. So, if you leave the CDHP with an HSA or even leave K-C, you can take the account with you. You can even use it after you retire—for example, to pay Medicare premiums. You may choose to keep the funds in your account or roll the funds into a different account. If you leave the funds in your account, maintenance fees will apply. **NOTE:** If you keep your HSA after leaving the plan, you cannot continue to contribute to it unless you enroll in another HSA-compatible plan.

### Q56: Can I rollover funds from my HSA at UMB to another HSA if I leave the program?

**A56:** Yes. Contact the holder of the non-UMB HSA for rollover instructions.

## HSA On Demand<sup>®</sup> from ConnectYourCare *(active employees only)*

### Q57: Why does my account include HSA On Demand?

**A57:** With most HSAs, you can only use funds AFTER they have been withheld from your paycheck and deposited into your HSA. So, in the beginning of the plan year, your HSA balance could be low, and may not be enough to cover your eligible medical expenses. With HSA On Demand, you can borrow against your future contributions. This way, you have the money you need to cover medical expenses from the first day of the plan year.

### Q58: How does HSA On Demand work?

**A58:** It works automatically when you need funds to cover an eligible expense. If you are paying for an eligible expense with your ConnectYourCare debit card and you do not have enough funds in your HSA to cover your expense, HSA On Demand will automatically advance funds, up to your advance limit (the total of yours and K-C's annual contribution), at the point of sale. If you choose to pay for an eligible expense with personal funds and request reimbursement, funds will also be advanced automatically as a reimbursement.

### Q59: What if I have mutual funds and other investments?

**A59:** Funds are available only after all HSA holdings have been depleted, including mutual funds and other investments. You will be required to liquidate any investment holdings into the liquid, cash account portion of your HSA before HSA On Demand funds will be advanced.

### Q60: When are HSA On Demand funds available?

**A60:** HSA On Demand funds are available on January 1; however, advances are only available after a claim is incurred. You may not access additional funds if there is no claim to pay.

## HSA On Demand<sup>®</sup> from ConnectYourCare, Cont. *(active employees only)*

### Q61: How do I know how much is available of my advance limit for me to borrow? Is it a rolling credit?

**A61:** Since you are borrowing against future contributions, the amount available for you to borrow decreases throughout the plan year. Let's say you are contributing \$100 a month to your HSA, or \$1,200 per year. After the first contribution, you would have an HSA balance of \$100, and you can borrow up to \$1,100 (the remaining contributions for the rest of the year). After the second contribution, you would have an HSA balance of \$200, and you can borrow up to \$1,000.

The amount available for you to borrow is visible at any time in your online account. Simply log in, click on your HSA, and then click on View HSA Advance Activity.

### Q62: Do I have to do anything to access my funds?

**A62:** No. Accessing advanced funds is easy. As long as you have funds available for advancement, the funds you need are automatically applied to your balance at the point of sale or when you request reimbursement.

### Q63: How do I pay back my advanced funds?

**A63:** There is no paperwork, interest or penalty for advanced funds, and you do not have to take any extra steps in order to pay back the funds. Your HSA contributions are simply deducted from your paycheck as scheduled and are applied against the amount you owe until it is paid back. In other words, your HSA balance will not increase until your scheduled HSA contributions pay off the amount you borrowed.

### Q64: Why might my HSA On Demand advance status be "frozen"?

**A64:** Because investments must be liquidated before HSA On Demand funds can be advanced, during that time, your HSA On Demand is "frozen." Once the investments are liquidated, the HSA On Demand converts to "active" status.

### Q65: What if I leave my job before the end of the year?

**A65:** If you have used any advanced funds, you will be required to repay the amount borrowed. K-C may withhold advanced funds from your final paycheck.

### Q66: What if I change my contributions midyear?

**A66:** If you reduce your HSA contributions after enrollment, your HSA On Demand will be reduced accordingly. If you have used advanced funds, you cannot reduce your HSA contributions to less than the amount advanced.

### Q67: How is the HSA On Demand amount calculated?

**A67:**

Your annual HSA contribution	
	+
K-C's annual HSA contribution	
	-
Outstanding prefund advance	
	-
Year-to-date HSA contributions	
	=
Maximum HSA On Demand amount (advance limit)	

## Tax Considerations

### Q68: What should I do with my receipts?

**A68:** You should keep your receipts for services you've received. Since you own the HSA, you're responsible for providing documentation to the IRS, if you ever need to, for the expenses charged to your

## Tax Considerations, Cont.

### **Q69: Are there any special instructions for filing my taxes?**

**A69:** Yes. You will receive a 1099-SA form at the end of each calendar year which shows distributions from your HSA and a 5498-SA form which shows total annual contributions for the prior year from UMB so that you can file your taxes. You will have to complete an 8889 form when you file your taxes. Please consult a tax advisor to ensure you file your taxes correctly.

## Other Questions

### **Q70: Has the IRS provided a time window for potential audits? In other words, how long should employees keep receipts of medical expenses?**

**A70:** Standard IRS audits guidelines apply. The HSA is part of your tax record, so records should be kept for the same amount of time.

### **Q71: Can someone elect the CDHP with an HSA without participating in the HSA?**

**A71:** No. This means that if you're not eligible to contribute to an HSA, you should not elect the CDHP with an HSA.

### **Q72: If I have money in my HSA and I should pass away, where does that money go? What are the beneficiary rules if I pass away with an HSA? What if my beneficiary is not a covered dependent?**

**A72:** When you open your HSA, you can select who you want to be your beneficiary:

- **Surviving spouse**—If your spouse is the beneficiary, the account remains an HSA and the surviving spouse becomes the owner. The spouse can then use the HSA as any other HSA owner would. The surviving spouse is subject to income tax on amounts in the account when used to pay for anything other than qualified medical expenses.
- **Other beneficiary** —If someone other than your surviving spouse is your beneficiary, the HSA ceases to be an HSA, and the beneficiaries are required to include the fair market value of the HSA as gross income. Fair market value is calculated as of the date of your death, and is reduced by any payments made from the HSA on behalf of the decedent within one year of death.

### **Q73: When will the HSA debit cards arrive?**

**A73:** If you're electing the CDHP HSA medical plan for the first time and don't already have a ConnectYourCare Card, you'll receive your new card in late December. If you already have a ConnectYourCare Card, your existing card will be automatically updated with your 2017 benefit information.

### **Q74: If I am an active employee over 65 and have not enrolled in Medicare, can I contribute to the HSA?**

**A74:** As long as you're not enrolled in Medicare then you're eligible to contribute to an HSA. Please keep in mind that having Medicare part A only (which you can be automatically enrolled in) would still disqualify you from contributing to an HSA.

### **Q75: When I retire, can I use the money for things other than qualified health care expenses without paying taxes or a penalty?**

**A75:** Actually there is an exception called out on this in publication 969. It states:

*Exceptions: There is no additional tax on distributions made after the date you're disabled, reach age 65, or die.*

The link to the section in the IRS publication is:

[http://www.irs.gov/publications/p969/ar02.html#en\\_US\\_2012\\_publink1000204143](http://www.irs.gov/publications/p969/ar02.html#en_US_2012_publink1000204143)

So if you are older than age 65 and you use the HSA funds for a non-qualified expense, you will only have to pay income tax on the distribution and not the additional penalty tax.

## Other Questions, Cont.

### **Q76: Can I roll HSA money into an Individual Retirement Account (IRA) after I reach age 65?**

**A76:** No. However, once an HSA account holder reaches age 65, the funds in the HSA can be spent on non-medical expenses without incurring a tax penalty. HSA funds used to pay for non-medical expenses would still be taxed, just as with withdrawals from an IRA.

### **Q77: Does UMB send out any tax forms?**

**A77:** UMB provides two forms:

1. **1099-SA:** Reports distributions from an HSA. The distributions, reported in Box 1 of the 1099-SA, should be entered in Line 14a of Form 8889 (Tax Return).
2. **5498:** Is issued to you in May of each year by UMB. It is for informational purposes only and it is not to be filed with tax returns.

ConnectYourCare and UMB do not monitor or substantiate HSA distributions and there is the risk that you may spend the dollars inappropriately. However, the HSA is an individually owned account and tax penalties are your responsibility since you own the account. This is unlike the FSA, where K-C would have repercussions if monies are not substantiated and are found to be used inappropriately.

### **Q78: Can I obtain free medical care at an on-site clinic or other on-site provider and still be covered by the CDHP with an HSA?**

**A78:** Yes, but only if the medical plan would cover the care for free. For example, visits to your doctor for your annual exam, flu shots, other preventive vaccines plus any care for work related injuries are acceptable care to receive for free from an on-site clinic or other on-site provider.

### **Q79: Can I use my ConnectYourCare Card to pay for eligible expenses incurred outside of the US?**

**A79:** No, you'll have to pay using personal form of payment. If you want to be reimbursed for the amount paid from your HSA, you can use the ConnectYourCare online tool or mobile app to request the reimbursement. You're responsible for calculating currency conversion to US dollars when requesting reimbursement.