

Aetna HealthFund® Health Savings Account



Common questions
about the Aetna
HealthFund Health
Savings Account
(HSA) ... with
answers to help
you understand
how it works.

General information

Q: What is an HSA?

A: An HSA is a special, tax-advantaged account — meaning money goes in tax free, earns interest tax free and is not taxed when it's withdrawn to pay for qualified expenses.

- You, an employer, or even a family member may make contributions to your HSA.
- Your HSA dollars earn interest, tax free.
- At the end of the year, any money remaining in your HSA rolls over to the next year.
- You own your HSA, so you keep the funds even if you change jobs or health benefits or insurance plans.
- You can withdraw money directly from your HSA using your Aetna HSA debit card or checks to cover qualified expenses. Or, allow the account to grow over time and use it to help pay for future health-related expenses — like long-term care insurance premiums, COBRA premiums and certain retiree expenses.

Q: Is there an annual “cap” or maximum amount that may be contributed to my HSA?

A: The annual maximum contribution is \$2,850* per individual / \$5,650 per family regardless of the HDHP deductible. If you do not contribute the annual maximum amount to your HSA in any year, you have until April 15th (or whenever you file your taxes, whichever is earlier) of the following year to make additional contributions up to that maximum.

You may contribute for a full year to the HSA, even if you join mid-year, provided that you continue to be eligible for HSA contributions by being enrolled in HDHP coverage for a full 12 months. Failure to maintain such coverage may result in income tax and a 10-percent penalty on contributions made. These limits will be adjusted for inflation in future years.

Individuals and their spouses who are age 55 and over may make an additional “catch-up” contribution of \$800 per year in 2007 (this amount increases \$100 per year until 2009 when it will be \$1,000). If you are age 65 or over and enrolled in Medicare Part A or B, your HSA may remain open, but no additional contributions can be made to the account.

Q: Who is eligible for an HSA?

A: To be eligible, you must be covered by a high-deductible health plan (a deductible of at least \$1,100 for individuals and \$2,200 for families* — adjusted each year for cost of living). You cannot have other health insurance coverage (including a spouse's plan) that is NOT a high-deductible plan. You may not contribute to an HSA once you are eligible for and enrolled in Medicare.

Q: Do you need an account for “catch-up” contributions?

A: Yes.

HSA advantages

Q: What happens to any remaining money in my HSA at the end of the year?

A: At the end of the year, any money remaining carries over to the next year.

Q: Are contributions to my HSA tax deductible or not tax-deductible?

A: If contributions to your HSA are made with pre-tax dollars (money that you contribute through your benefit plan), those contributions are not considered taxable income. If contributions to your HSA are made with post-tax dollars (money that has already been subject to income tax), those contributions are deductible on your Federal income tax return. Note: Check with your employer and/or tax advisor for details about how contributions are made to the plan.

Q: Does the money in my HSA earn interest?

A: Yes — your HSA can grow over time! Your funds earn interest tax free. There is no minimum balance required to earn interest.

*2007 maximums will be adjusted for cost of living in future years.



Q: Are there other investment options?

A: Yes. Once your Aetna HSA balance reaches \$2,000, you will have the HSA Investments Service available to you. The HSA Investment Options available are:

Asset Allocation Funds:

- JPMorgan Investor Conservative Growth Fund A
- JPMorgan Investor Balanced Fund A
- JPMorgan Investor Growth Fund A

Fixed Income Funds:

- JPMorgan Prime Money Market Fund — Morgan Share
- JPMorgan Core Bond Fund A

US Equity Funds:

- JPMorgan Equity Index Fund A
- JPMorgan Small Cap Equity Fund A

International Equity Fund:

- JPMorgan International Equity A

Q: What happens to my HSA if I leave my health plan or job?

A: You own your account, so you keep your HSA, even if you change health insurance plans or jobs. We can continue to administer your HSA account if you choose. If you no longer are enrolled in a high-deductible health plan, you are not eligible to make new contributions to your HSA, but you can continue to withdraw funds for qualified expenses.

Q: What are the survivor benefits associated with my HSA?

A: Your HSA may transfer to your surviving spouse tax free. Otherwise your balance becomes part of your estate.

Setting up your HSA

Q: Who can contribute to my HSA?

A: You, your employer or even a family member — or any combination — may make contributions to your HSA, up to the annual contribution limit.

Q: How do I contribute to my HSA?

A: You may contribute to your account through payroll deductions (if available), authorizing funds to be deducted from your designated bank account through electronic funds transfer (EFT), or you may make a lump sum contribution at any time, in any amount up to the maximum limit. Depending on your plan design, your contributions may be made before taxes are taken from your paycheck. If not, you can claim your total amount contributed for the year as a tax deduction when you file your income taxes. You receive tax advantages in any case. You have until April 15 of the following year to make HSA contributions for the current year.

Q: When will contributions to my account be available for withdrawal?

A: HSA contributions will be available for withdrawal when funds are deposited. HSA contributions made by payroll deduction generally are pro-rated over the course of the plan year based on payroll schedules. HSA contributions may also be made on a lump sum basis at any time during the plan year. The availability of funds is dependent upon how funds are contributed (payroll deduction or periodic, lump sum contributions) and varies by individual.

Q: How do I withdraw money from my HSA?

A: Once you've made contributions to your account, you can then use your Aetna HSA debit card or checks to get instant access to your HSA dollars to pay for qualified out-of-pocket expenses quickly and easily. Use your HSA debit card or checks, not your cash. The amount available for withdrawal at any time is equal to the available funds at the time of the withdrawal.

Using your HSA

Q: How does the Aetna HealthFund HSA work?

A: To understand how the HSA works, let's review its components.

The Health Savings Account

- Start by making a contribution. There is no minimum amount required, but there is an annual maximum.
- When you have a qualified expense (e.g. doctor visit, prescription refill), you may withdraw money from your HSA, tax free, to be reimbursed for this out-of-pocket expense, including what you pay toward the deductible. Or, when you have a claim, you can choose to pay from other funds and allow your HSA to grow over time and use it for future health-related expenses.
- Any unused dollars roll over year after year.
- You own your HSA, so you keep it even if you change health plans or jobs.
- Fund the HSA every year. This will lower your taxes and help you build a larger savings for future health care expenses.

The Medical and Prescription Drug Plan

You can seek care from any licensed health care professional or hospital for covered services — without a referral.

- **Preventive Care.** The plan typically includes preventive care coverage (for routine physicals, immunizations and screenings) — typically paid at a copay or coinsurance amount, not subject to deductible — to encourage you to receive these important services.
- **The Deductible.** The plan includes an annual deductible — the amount you pay out-of-pocket for the year before the medical coverage begins payment for qualified expenses.
- **Medical Coverage.** When the deductible is met, the medical coverage (usually with a percentage copayment) begins for covered expenses. The medical plan also includes an annual out-of-pocket maximum to limit the amount you pay out-of-pocket in a given year — meaning once you reach the maximum, the plan pays 100 percent of your covered medical expenses for the remainder of the year.
- **Prescription Drug Coverage.** When you fill a prescription, you will pay the cost of the prescription until the deductible has been met. With Aetna participating pharmacies, your prescription drug price may be lower because we have negotiated pricing on behalf of our members. Once the deductible has been met, you may pay either a copayment or coinsurance for each prescription you fill that is covered under your plan. Refer to your benefits summary for additional details.

Q: What online resources are available to help me use my HSA?

- A:** When you enroll in the Aetna HealthFund HSA, you get access to a suite of online resources.
- **Aetna Navigator™ member website:** Your personalized, self-service website is packed with health and benefits information. When you register, you can order ID cards, check eligibility or claim status, compare area hospitals, estimate the cost of a prescription, gather health information and much more.
 - **DocFind® online directory:** You can check this list for participating doctors, hospitals and other health care professionals. DocFind also includes important credentials like education, board certification and languages spoken.

Q: What expenses can I pay for with my HSA?

- A:** Your HSA can be used to pay for most “qualified medical expenses,” as defined by IRS Code 213(d). These expenses include, but are not limited to, medical plan deductibles, diagnostic services covered by your plan, over-the-counter drugs, LASIK surgery and some nursing services. You can also use HSA dollars for COBRA premiums and health premiums if you are unemployed.

When you become age 65, you can use the account to purchase any health insurance other than a Medigap policy. You may not, however, continue to make contributions to your HSA once you are enrolled in Medicare.

For additional information about IRS-allowable expenses, you can review a list of allowable expenses on Aetna Navigator or request a copy or request a copy of IRS Publication 502 by calling 1-800-829-3676, or visit the IRS website at www.irs.gov and click on “Forms and Publications.”

Q: Can I use my HSA to pay for non-health-related expenses?

- A:** Yes. You may withdraw money from your HSA for items other than qualified expenses, but it will be subject to income tax and an additional 10 percent penalty tax on the amount withdrawn (unless you are age 65 or disabled).

You should keep receipts for your HSA purchases to show that you used your HSA funds for qualified expenses. If you are audited and your HSA expenses are questioned, your receipts provide the best proof. Remember, under HSA regulations, you are responsible for determining which expenses are considered “qualified expenses.” Please consult your tax advisor for guidance.

Q: How can I keep track of my HSA balance?

- A:** You can track your HSA account activity online anytime — day or night. Upon request, you may receive monthly statements that show any contributions to, withdrawals from, and interest earned on your account.

Learn more

Q: How can I learn more about Aetna HealthFund HSA?

- A:** There are several ways.
- Read the information in your enrollment kit.
 - Visit the secure Aetna Navigator site during enrollment to see the resources and information available to you when you enroll.

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The HSA Visa® Debit Card and HSA Checkbook administration support is provided by JPMorgan Chase Bank. You may receive communications that reference the JPMorgan Chase Bank name, where appropriate. Investment services are independently offered by JPMorgan Institutional Investors, Inc., a subsidiary of JPMorgan Chase Bank.

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Aetna receives rebates from drug manufacturers that may be taken into account in determining Aetna's Preferred Drug List. Rebates do not reduce the amount a member pays the pharmacy for covered prescriptions.

Material subject to change.

Policy forms issued in Oklahoma include: HMO/OK COC-4 09/02, HMO/OK GA-3 11/01, CHI/OK GI 02/02, CHI/OK INSCT-4 01/02, GR 23, GR 29, GR 96172 and/or GR 96173.