



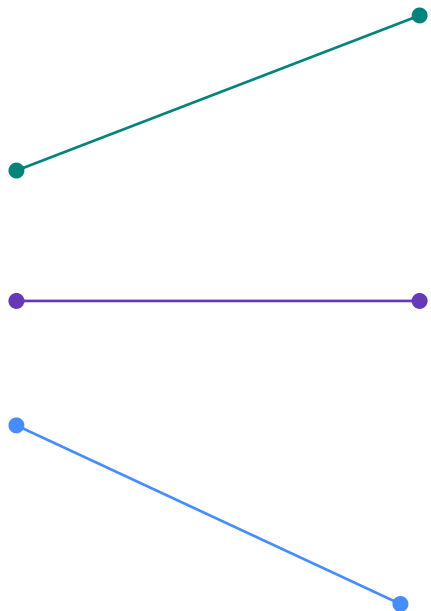
About Health Savings Accounts

What is a Health Savings Account?

An HSA is a special bank account for health care expenses that gives account holders the option to save, spend or invest their money:



Health
SAVINGS
Account



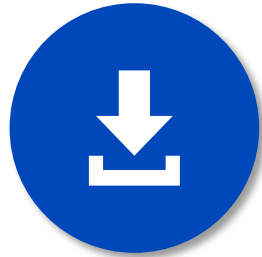
SAVE for tomorrow

SPEND for discounts today

INVEST for what's next

HSA Basics & Benefits

HSAs offer lots of perks including a triple-tax advantage:



Tax-Free Deposits

When made automatically through payroll deduction



Funds Never Expire

Your money rolls over year to year; no “use it or lose it”



Tax-Free Withdrawals

When spending on eligible health care expenses



Family Friendly

Use your HSA for yourself, spouse, and tax dependents



Tax-Free Earnings

On any interest and gains when investing your HSA



Fully Portable

You own your HSA; take it with you if you change jobs

HSA “Rules” – Putting Money In

Putting money into your HSA tax free is all about having the right health care coverage for yourself:



1.) You must have coverage through a **High Deductible Health Plan (HDHP)** in order to have an HSA



2.) You cannot have coverage through **Medicare, Tricare or FSA/HRA** (even if through your spouse’s employer)*

* This is not an inclusive list of unqualified coverage options



3.) Your **annual contributions are limited** by the IRS:

- *\$3,600 for individual coverage*
- *\$7,200 for family coverage*



4.) **1/12th of your annual limit is earned each month** and you have until April 15th to complete last year’s deposit limit

“Consumer Driven” Health Plans

To have an HSA, there must be qualifying current year coverage with a minimum but high deductible:

- Must have a minimum deductible of:
 - **\$1,400 for individual coverage**
 - **\$2,800 for family coverage**
(covers more than one person)
- Out-of-pocket costs cannot exceed:
 - **\$7,000 for individual plans**
 - **\$14,000 for family plans**
- All covered services (except preventive) and prescription drugs must be applied to the deductible first before any payment is made by your insurer



HSA's Help Employees Save on Income Taxes

HSA's reduce employee income taxes; the more they choose to save in their HSA's, the greater the tax savings:

Annual Income Tax Savings (Federal + State)			
Annual HSA Contribution	15%	27%	42%
\$1,800 (average)	\$270	\$486	\$756
\$3,550 (individual max)	\$533	\$959	\$1,492
\$7,100 (family max)	\$1,065	\$1,917	\$2,982
\$8,100 (family max w/1 catch-up)	\$1,215	\$2,187	\$3,402

For illustration purposes only; example assumes 12%, 22% and 35% federal income tax rate, plus 3%, 5% and 7% state income tax rate, respectively; 2020 tax year used.

HSA “Rules” – Taking Money Out



1.) Once money is in your HSA, **you have the rest of your life to save or spend it** as you see fit – regardless of health coverage



2.) You can **spend on yourself, your spouse, and any tax dependent** at the time of the eligible medical expense, as defined by IRS



3.) At age 65, **the HSA rules get even better:**

- You can pay most Medicare premiums tax free
- You can avoid 20% penalty for any use of HSA funds



4.) You are responsible for providing **proper fund usage to the IRS only if audited** (save your receipts!)



Taking money out of your HSA is all about spending money on the right things for people related to you in the right way:

Give Yourself a Health Care Discount

How much are you spending on health care: doctors, prescriptions, dentist and eye doctor?



\$85



\$65



\$150



\$100

Without HSA

Save Up to 35% or More With Your HSA

With an HSA, the more you SPEND, the more you SAVE!



~~\$85~~

\$55



~~\$65~~

\$42



~~\$150~~

\$98



~~\$100~~

\$65




With HSA

Invest Your HSA to Save for What's Next

Did you know you can put the funds in your HSA in self-directed investment options?

(Don't worry, most people don't!)

Investing your HSA can help grow the money in your account with:

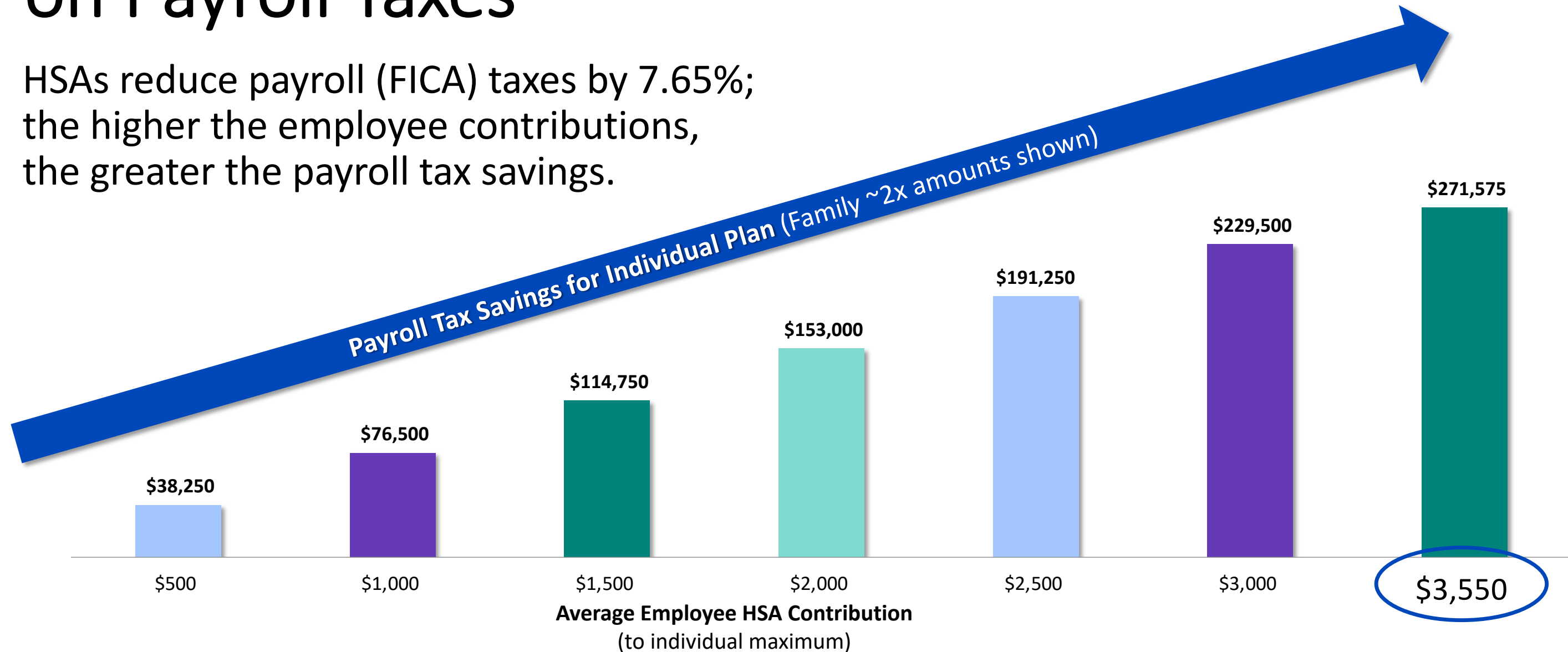
-  Tax-free gains on your investments and any interest earned
-  Flexibility to use the funds anytime, today or in retirement *(not the case with a 401(k) plan)*
-  An average annual return of 8%*

* Your experience may vary. This is not financial advice. Please consult a tax or investment advisor for your personal situation.



HSAs Help Employers Save on Payroll Taxes

HSAs reduce payroll (FICA) taxes by 7.65%; the higher the employee contributions, the greater the payroll tax savings.



For illustration purposes only; example assumes participation of 1,000 employees with the same average HSA contribution

HSAs Lower Health Plan Premiums

HSAs provide premium savings for employers and their employees:

Annual Health Plan Premium	High Deductible Plan With HSA	Traditional Plan No HSA
Employee	\$4,866	\$6,638
Employer	<u>\$14,114</u>	<u>\$15,045</u>
Total	\$18,980	\$21,683

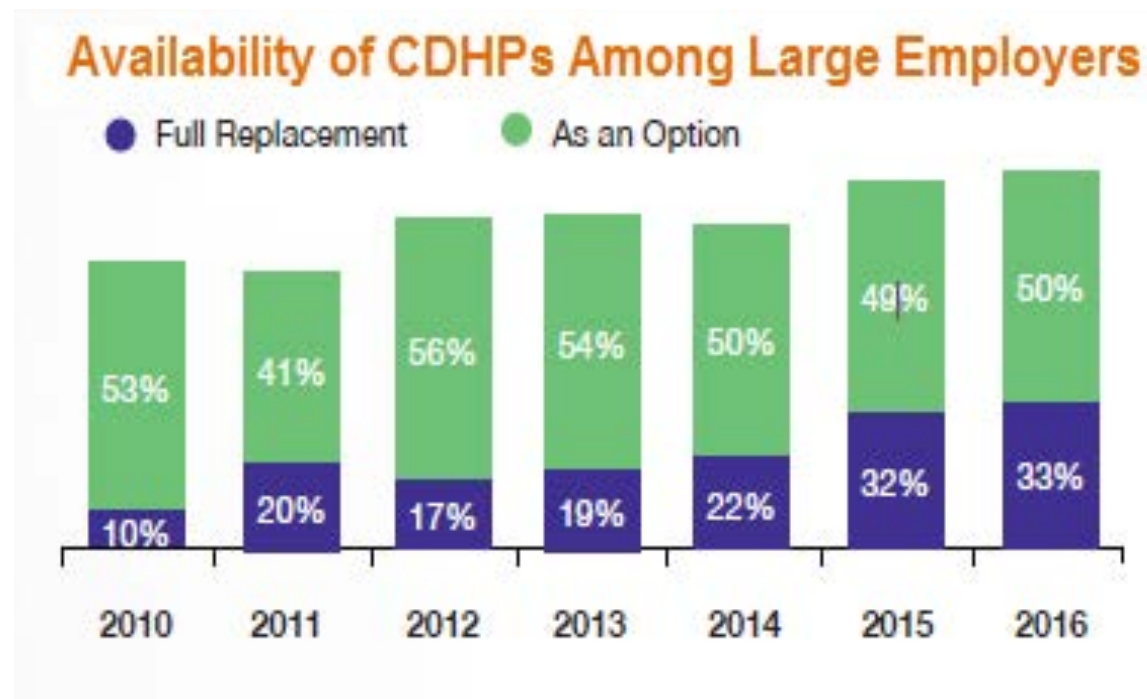
Employees save **27%**

Employers save **6%**

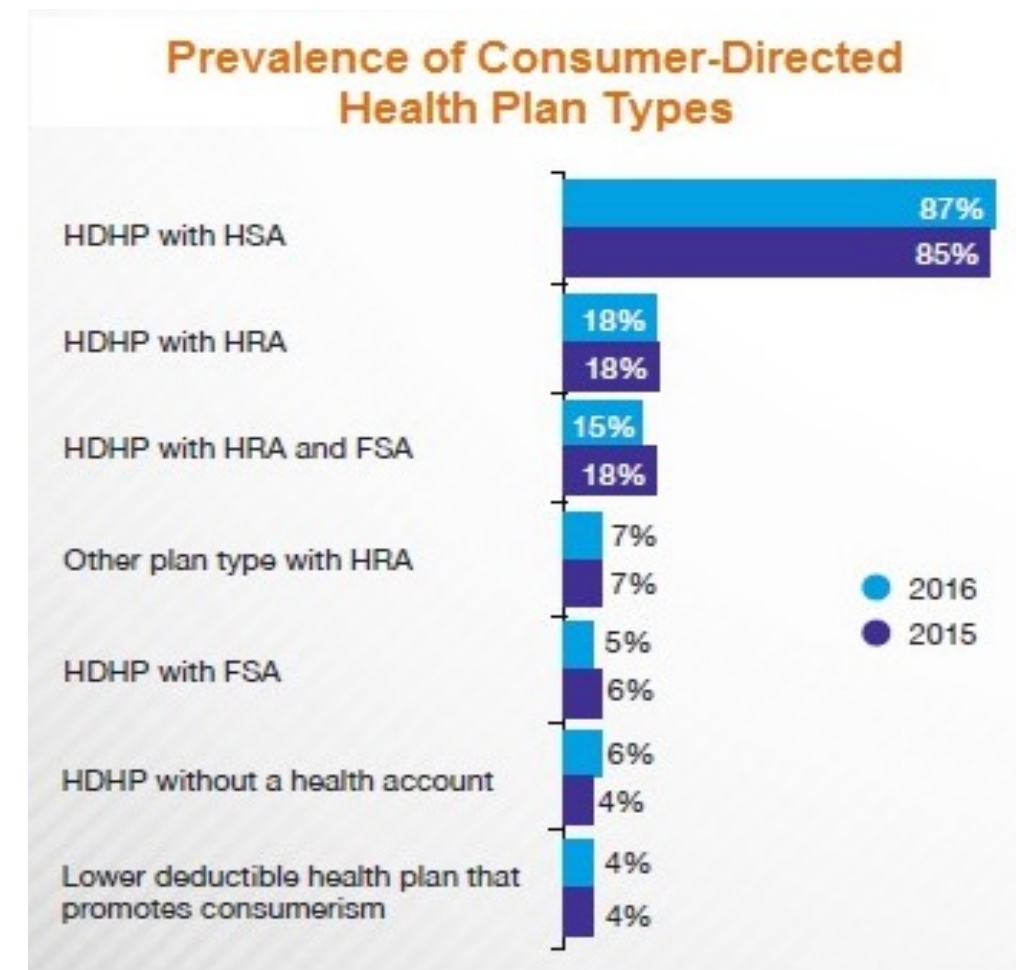
\$2,703
Total Savings

Employers Focus on Full Replacement

Employers contribute 71% of health premiums for employees; PPO plan premiums about 9% higher than Consumer Directed Health Plans (CDHP).



- 84% of large employers offer at least one CDHP option
- 33% offer CDHP as only choice
- HSA plans most popular with over 87% offering one



HSA's Create Immediate and Lasting Change

BCBSIL's HDHP/HSA Cohort Study

- Results show significant decrease in both utilization and costs when moving from a PPO plan to HDHP/HSA plans
- Consumers more discerning with health care usage:
 - Inpatient admits lower by 21.7%
 - ER visits drops by 8.3%
 - Overall medical costs lowered by 9.2%

BCBS IL Cohort Study	Utilization/Cost Changes Utilization under CDH Plan compared to Utilization under PP Plan	
	1 Year	3 Year
Inpatient Utilization		
Admits/1,000	-17.3%	-21.7%
Length of Stay	4.1%	-3.7%
Trend/Risk Adjusted PMPM Costs	-11.3%	-16.1%
Outpatient Utilization		
Visits/1,000	4.7%	-6.1%
Surgeries/1,000	7.4%	-7.9%
ER/1,000	-4.9%	-8.3%
Trend/Risk Adjusted PMPM Costs	-4.4%	-5.7%
Professional Utilization		
Visits/Member	-5.2%	-7.9%
Trend/Risk Adjusted PMPM Costs	-8.4%	-10.4%
Pharmacy		
Generic Fill Rate	-4.0%	-9.7%
Trend/Risk Adjusted PMPM Costs	-2.4%	0.2%
Grand Total		
Medical Only		
Trend/Risk Adjusted PMPM Costs	-7.1%	-9.2%
Medical & Pharmacy		
Trend/Risk Adjusted PMPM Costs	-5.9%	-6.6%

Medical bills are biggest concern for retirement.

Based on my calculations, I can retire about 5 years after I die.

Retiree couples on the hook for health care costs of \$370,000.*

Can you afford to retire?

AMERICANS ARE NOT SAVING ENOUGH FOR RETIREMENT.

Health Care Costs in Retirement

In retirement, Americans become responsible for 100% of their health care expenses, including premiums, copays, deductibles and all other out-of-pocket expenses:

A 65-year-old couple will pay \$404,253 (\$607,662 in future dollars) for total lifetime health care costs

Due to health care inflation, a 55-year-old couple will pay 25% more for the same coverage in 10 years

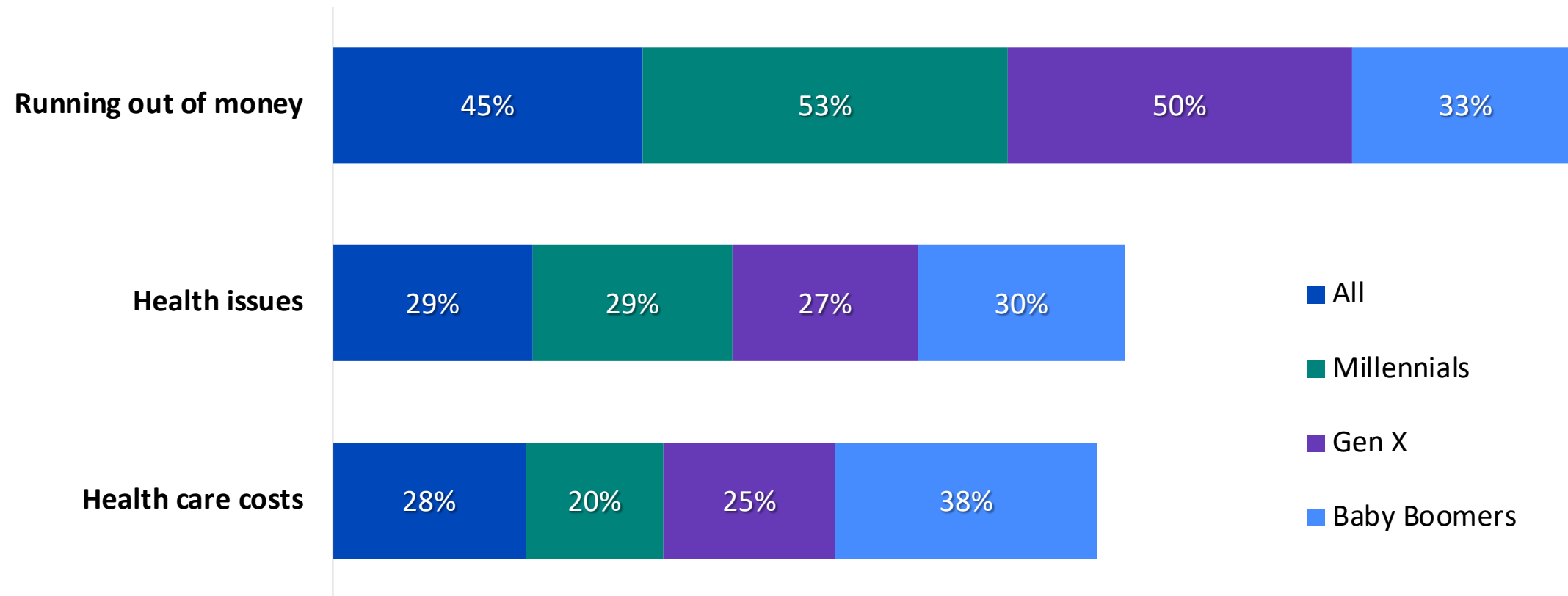
In 20 years, equivalent coverage will cost a 45-year-old couple over \$635,000

	Premiums	Out-of-Pocket	Total Costs (Present)	Total Costs (Future)
65-year-old couple	\$321,994	\$82,258	\$404,253	\$607,662
55-year-old couple	\$410,002	\$88,961	\$498,962	\$1,010,223
45-year-old couple	\$537,480	\$97,662	\$635,142	\$1,730,774

Calculations assume a healthy male and female will have life expectancies of 87 and 89 respectively, and a combined future modified adjusted gross income (MAGI) of under \$170,000.

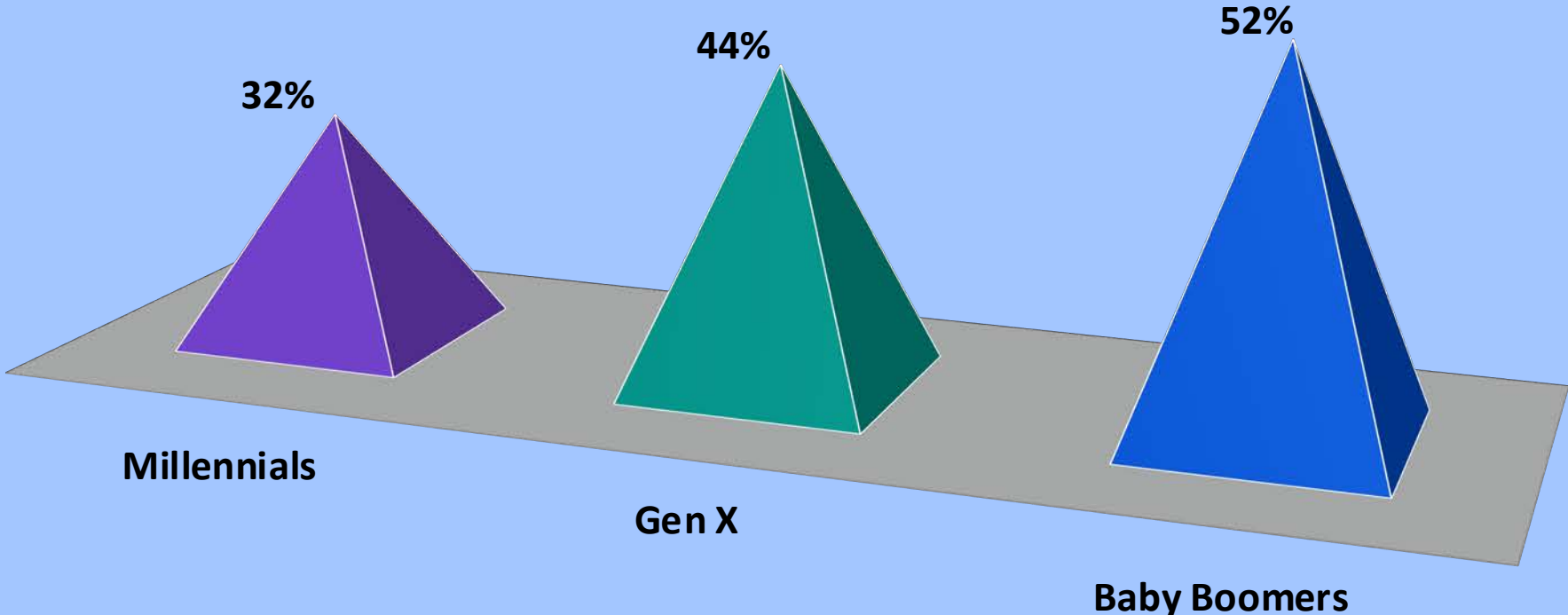
Retirement Perceptions and Realities

Running out of money, health issues and health care costs in retirement are employee concerns across all generations:



Retirement Perceptions and Realities

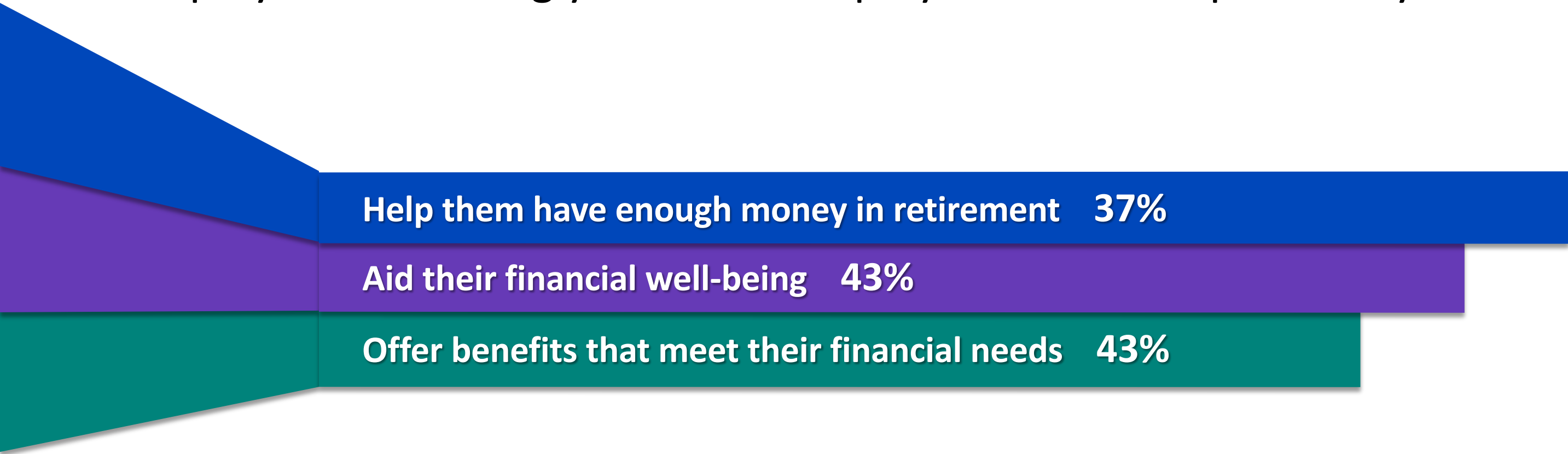
On average, 44 percent of employees are planning to delay their retirement due to insufficient savings:



Source: PWC 2018 Employee Financial Wellness Survey

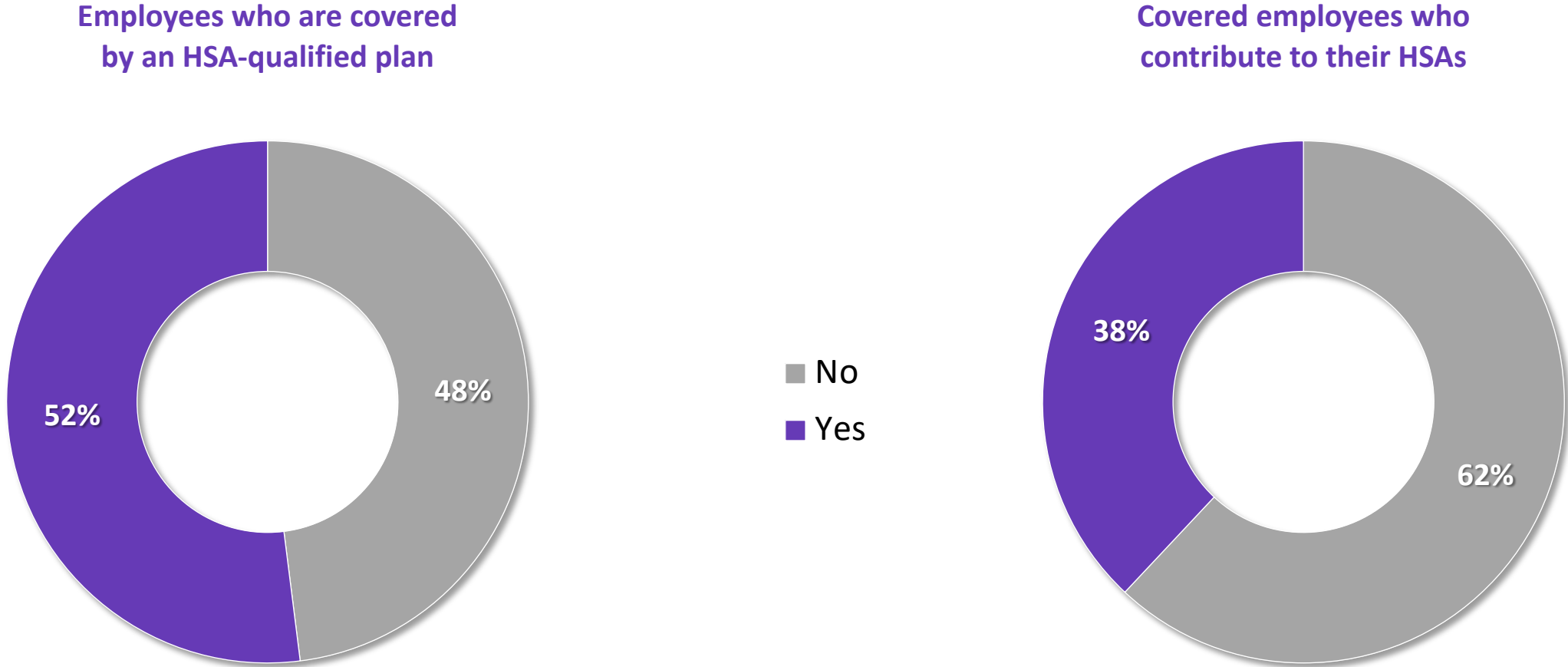
Retirement Perceptions and Realities

Employees increasingly feel their employers have a responsibility to:



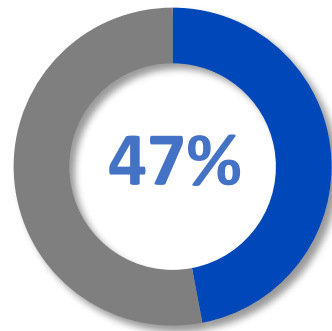
Retirement Perceptions and Realities

Even with broad availability of this additional retirement savings vehicle, employees are still not taking advantage of HSAs:



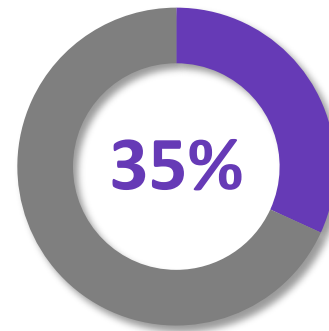
Retirement Perceptions and Realities

Employees don't view HSAs as retirement savings vehicles, instead they treat them like spending accounts:



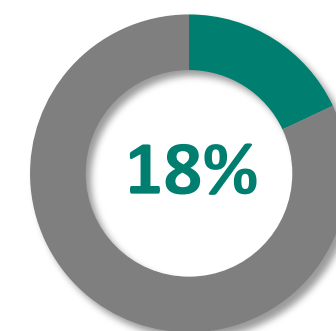
Short Term

HSA funds are used for immediate or short term health care costs



Mixed

HSA funds are used for both immediate and future health care costs



Long Term

HSA funds are used for future retirement health care costs

HSA Help Drive Consumerism and Financial Wellness

Employees want employers to help them be better consumers and achieve financial wellness

Employers want employees to make informed decisions and take more responsibility

HSA are uniquely positioned to deliver for both groups



HSA's Enhance Retirement Savings Options

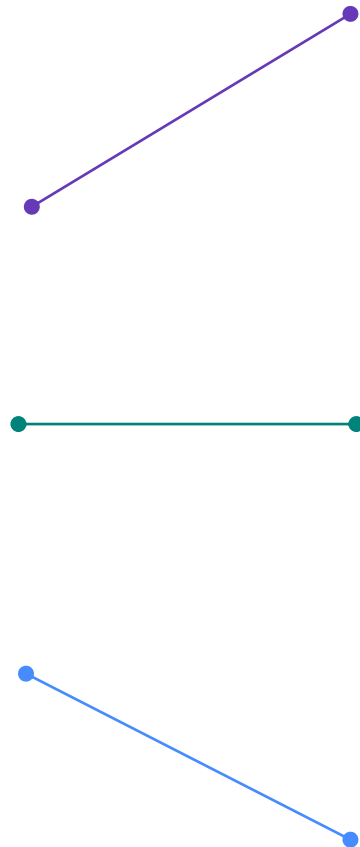
HSA's are like a 401(k) or IRA on steroids but with more flexibility and fewer rules, especially for tax-free distributions.

	401(k) / IRA	HSA
Money grows tax-deferred	✓	✓
Contributions are tax-deductible (if eligible)	✓	✓
Penalty tax applies to withdrawals that do not follow IRS rules	10% tax to age 59½	20% tax to age 65
Use tax-free money at any age to pay for qualified medical expenses		✓
Before age 65, funds to pay for long-term care insurance, COBRA premiums and health insurance premiums while receiving unemployment	401(k) and IRA at 59½ subject to income tax	✓
After age 65, use funds to pay for health insurance premiums (except MediGap)	Available subject to income tax	✓
No required minimum distributions or means testing		✓

It's Your Money!



Health
SAVINGS
Account



SAVE for tomorrow

Build your health care safety net
with tax-free money

SPEND for discounts today

Save 35% or more on
eligible health care expenses

INVEST for what's next

Invest in your HSA
and save for retirement

About BenefitWallet

- A pioneer and leader in the industry since 2004
- Flexible HSA, HRA, FSA and HIA solutions
- Market-leading security and compliance practices
- Highly-rated, low-cost investment options
- Long-term partner: The Bank of New York Mellon



Member Portal

Self-service support and resources for members

Mobile App

Easy access to accounts plus Touch ID

Debit Cards

Chip-enabled for better protection

Top 6
in highly-competitive HSA market

1.2 million
BenefitWallet HSAs and other health accounts

\$2.4 billion
HSA account and investment assets

6.2 million
member & employer calls to Customer Care

93%
post-call customer satisfaction rate

5 million
visits annually to the BenefitWallet website

