

Especially designed for IRS-qualified High Deductible Health Plans and Section 125 Plans

Savings For You and Your Employees

Employers are looking for ways to reduce their health care premiums and provide a way for employees to save tax-free money to pay for health care expenses the insurance plan doesn't pay.

Many are turning to High Deductible Health Plans (HDHP) with an accompanying Health Savings Account (HSA) to provide an affordable alternative to more traditional plans.

The HSA allows employees and employers to deposit pre-tax dollars into an employee-owned account to pay for out-of-pocket health care expenses that insurance doesn't pay.

What sets the HSA apart from other tax-advantaged account options?

Advantages to employers

- ▶ **Lower health insurance costs.** Typically, HDHP premiums are lower than traditional health plans.
- ▶ **Save on payroll taxes.** You'll save approximately 8% on every dollar employees set aside from their paychecks for their HSA.

Advantages to employees

- ▶ **Tax Savings.** Employees' pre-tax contributions reduce their tax withholding on their paycheck, plus they can make cash contributions and deduct them on their income tax (as long as total contributions are within IRS limits).
- ▶ **Save on investment earnings.** Any interest and investment earnings in the HSA accumulate tax free.
- ▶ **Save on withdrawals.** Employees pay for a wide variety of eligible health care expenses their insurance plan doesn't pay.
- ▶ **Control.** Employees decide where their money goes – when and how to spend it. How much to contribute, how much and what to invest in, or whenever they retire – the HSA stays with them.

Three investment options are available:

1. Competitive interest rates.
2. Mutual Fund Selection Investment Account with "best in class" selections in 10 asset classifications.
3. Self-directed investing includes stocks, bonds and over 11,000 mutual funds with convenient, secure online trade confirmations and account statements.

How an HSA works with your health plan

1. Select a qualified HDHP that's best for your group.
2. Decide if you are going to allocate funds into an HSA for each employee or if the HSA will be exclusively employee contributions. Research has shown that nearly half of all employers make contributions to employee HSAs. The choice is yours.
3. Finally, offer a limited FSA to HSA participants to cover out-of-pocket dental and vision expenses. Participants may want to save more than the annual contribution limits an HSA allows. The limited FSA is a great supplement to the HSA.

In order to enroll in an HSA the employee must be covered by an HDHP.

HSA tax savings
for me and my
employees.

That's exactly what I need.



Health Savings Accounts

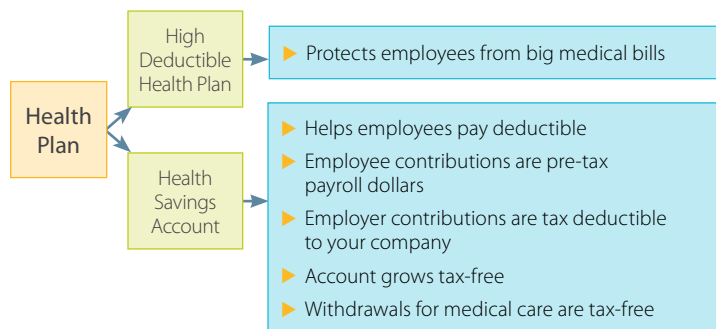
take care[®] HSA is Easy to Use

With the take care HSA employees can use the funds in their account to pay for current qualified health care services or save them and let them grow tax-free for health care needs “down the road.”

How employees use the take care HSA

1. **The take care[®] Flex Benefits Visa[®] Debit Card (Card).** It's the easiest way to pay. And what's best, employees won't have to reach into their pocket when they use the take care Card to pay qualified expenses. By paying with the Card, their purchase is deducted from the appropriate balance in their take care account(s).
2. **Pay Me Back.** When employees don't use their take care Card to pay qualified expenses, they can request a cash reimbursement from their HSA. A check or direct deposit will be issued directly from their HSA.

It is the participant's responsibility to ensure that the funds withdrawn from their HSA are used for qualified medical expenses. For record keeping purposes, and in the event of an audit, participants are required to keep detailed receipts for all expenses paid with HSA dollars. A third party does not adjudicate HSA expenses. However, when filing their tax return, employees must verify withdrawals were used for qualified expenses.



Employees

Dollars in an HSA can be used to pay for qualified out-of-pocket medical expenses for the participant, their spouse or dependent children. HSA dollars also can be used for qualified medical expenses that the participant's health plan does not cover.

Qualified expenses include but are not limited to:

- ▶ Copays
- ▶ Vision care (eye glasses, contact lens or laser surgery)
- ▶ Dental and orthodontic services
- ▶ Over-the-counter drugs and medicines*
- ▶ Prescriptions
- ▶ Prescribed weight reduction program
- ▶ Prescribed smoking cessation program
- ▶ Long-term care insurance
- ▶ Long-term care expenses
- ▶ Reconstructive surgery (birth defects, disease)
- ▶ Physical and speech therapy
- ▶ Insulin, syringes & supplies
- ▶ COBRA continuation

How participants track account activity

Participants have 24-hour access to their account(s). Whether a participant has an HSA or multiple accounts, e.g. an HSA and a Limited FSA (LFSA), they can access all account information through a single source: Online anytime at our secure website, through a toll-free interactive voice response line, and weekday access to our toll-free call center.

Save even more with these options

In addition to an HSA, offering employees the option of making pre-tax contributions to other flexible benefit plans provides additional tax savings for employees and for you.

- ✦ Limited Flexible Spending Account (LFSA).
The LFSA can be used to pay only vision and dental expenses.
- ✦ Dependent and elder care expenses.
- ✦ Parking/transit expenses related to getting to and from work.

Plan consultation

Our consultants can help you design a plan that includes any or all of these benefits.

For a FREE plan consultation call 877-887-1080.

* Prescription (Rx) required as of 1/1/2011

Important information

Plan requirements

- ▶ Your group can start a take care[®] account at any time. Plus, you can have a short coverage period to coordinate with other benefits.
- ▶ The HSA account holder must be enrolled in an HSA-compatible health plan (HDHP).
- ▶ The HSA account holder may not be covered under Medicare, certain flexible spending accounts, Health Reimbursement Accounts (HRA) or other health plans that are not HSA-compatible.
- ▶ The HSA account holder may not be claimed as a dependent on another person's tax return.
- ▶ The FSA plans must be in writing and a Summary Plan Description must be distributed to each plan participant.
- ▶ The plan may not discriminate in favor of highly compensated employees.

How to Get Started

Complete the take care[®] HSA Account Application and we take care of the rest. Plan setup and ongoing administration is easy with our turnkey service.

- ▶ **Plan Consulting.** Upon receiving your application, a plan specialist will contact you about plan options.
- ▶ **Plan Setup.** Setup includes custom documents and forms. For existing plans the service also includes new updated documents and forms.
- ▶ **Employee Enrollment Assistance.** Enrollment and educational materials include: calculators, brochures, enrollment forms and mailbox stuffers. Print and online claim forms are available for plan participants.
- ▶ **Employee Account Management.** Contributions are collected each pay period and forwarded to the employee's custodial account. Daily services include account tracking and account withdrawal by check or direct deposit. The take care[®] Card is included at no additional cost.
- ▶ **Participant Assistance.** Employees have access to their accounts: online anytime at our secure website, through a toll-free interactive voice response line and weekday access to our toll-free call center.
- ▶ **Annual Plan Compliance.** Services include keeping you informed and up-to-date on changes to IRS Regulations that would impact your employees and may require changes to your plan and how it operates.

HSA

Tax-Deferred
Interest/Income

Tax-Deductible/
Pre-Tax
Contributions



Consumer-Directed Health Care Plan Design Worksheet

1. Enter the annual HSA contribution maximums established by the IRS for the current calendar year:

Individual \$ Family \$

(NOTE: Annual contribution limits to an HSA are set by the IRS. To view current IRS contribution limits go to takecareWageWorks.com, click on the "employer" tab, then select "Consumer-directed health care accounts" on the left side of the page.)

2. How much would you like to contribute to an HSA for each eligible* employee for the plan year:

Employee only \$ Family \$

3. How much each eligible* employee can contribute to an HSA during the plan year:

(NOTE: If contributions in an HSA come from multiple sources, i.e. the employer and the employee, the combination of those contributions cannot exceed the IRS annual contribution limit.)

The \$ amount in #1 above minus the \$ amount in #2 will equal the maximum employee contribution amount in #3.

Employee only \$ Family \$

4. Offering employees the option of making pre-tax contributions to a Limited Flexible Spending Account¹ (LFSA) provides additional tax savings for employees and for you.

- ▶ The employer sets the maximum annual contribution limits for the LFSA
- ▶ LFSA contributions are kept in a separate account from the HSA
- ▶ LFSA dollars can only be used to pay for qualified dental and vision expenses
- ▶ The LFSA is a great way to pay for big ticket items like laser eye surgery or orthodontia services, without having to dip into the HSA

a. Will you offer an LFSA to HSA participants? Yes No

b. If "Yes", what annual dollar limit do you want to set for employees who wish to make voluntary pre-tax payroll deductions to a LFSA?
\$

c. Unused employee LFSA contributions can be used for expenses incurred within 75 days after the plan year end. This is an IRS option that you can select and one that employees will appreciate. Will unused employee contributions to an LFSA be available for expenses incurred within 75 days after the plan year end? Yes No

For a FREE plan consultation, call 877-887-1080

* An individual must be enrolled in a High Deductible Health Plan (HDHP) in order to make contributions to an HSA or receive HSA contributions from an employer or a third party. The HSA account holder is not required to be covered by a HDHP to use the funds to pay for qualified medical expenses.

¹ Contributions to a Limited FSA fall under rules pertaining to IRC §125 Flexible Spending Accounts.

Health Savings Account Application

1. Legal Name of Employer Sponsoring the Plan: _____
2. Business Type: C Corp. S Corp Sole Proprietor LLC Partnership Not-For-Profit Government Entity or Church
3. Legal Name(s) of Affiliated Company(ies) that will be Covered by this Plan: _____

4. Principal Business Activity: _____
5. Federal Employer Identification Number (Must be nine digits): —
6. Primary Contact Person: _____ Title: _____
Phone: _____ Fax: _____ Email: _____
Secondary Contact Person: _____ Title: _____
Phone: _____ Fax: _____ Email: _____
7. Street Address (No PO Boxes): _____
City, State, Zip: _____
8. Health Care Account Plan(s) Effective Date:
 - a. A new plan effective as of (date) _____
 - b. Plan year end (date) _____
 - c. Select plan type to be administered (check only one box). Note: If both an HSA and FSA are administered, fees quoted include both plans.
 HSA HSA and Limited FSA Limited FSA only FSA only
 - d. An amendment and restatement of a previously established HSA and/or FSA plan of the employer.
 - (1) This amendment and restatement is effective as of (date) _____
 - (2) Effective date of the original plan _____
 - (3) Plan number (consult last Form 5500, if filing was required, for number assigned to your plan) _____
9. Employer's Principal Office: This Flex Plan shall be governed under the laws of the: State Commonwealth _____
10. Total Number of Employees: _____
11. Payroll is prepared: In-house Outsourced (specify payroll company): _____

Pricing information

12. Fee for a New Plan Setup and Restatement: Call for quote.
13. Fee for Participant Services - includes Debit Card Program.
\$1.90 per month for participants with HSA only
\$5.25 per month for participants with more than one account, i.e. HSA plus LFSA, or HSA plus DCAP or Health FSA plus DCAP.
14. Fee for Annual Plan Compliance: \$50 per month.

Shipping instructions

15. Enrollment Kit is shipped UPS Ground within five business days of receiving completed application and setup fee.

Payment of setup fee

16. Check enclosed for \$ _____ (payable to WageWorks)
 Charge my credit card for \$ _____ VISA MC AMEX Discover Expiration Date: _____
Credit Card Number: _____ Name on card: _____
17. Employer Signature: _____ Date: _____

To be completed by referral source

- Name of Referral Source: _____ Affiliated Company: _____
Address (No PO Boxes): _____
City, State, Zip: _____
Phone: _____ Fax: _____ Email: _____

The referring company or its representative may earn a fee for services performed in connection with the implementation of this plan.

FAX this completed form to 866-672-3682

Questions? Call 877-887-1080 (Weekdays, 8 am - 5 pm CST)

WageWorks internal use. Client No. _____ Rep. No. _____ Lead Source: _____

About WageWorks

WageWorks is dedicated to being a world-class provider of benefit services delivering the easiest-to-use and most convenient solutions that enable employers, individuals and their families to maximize savings on health, commuting, and other tax-advantaged accounts. Today, WageWorks is the leading provider of tax-advantaged solutions and services in the United States, consistently setting industry standards for high-quality service and innovation. WageWorks specializes in delivering enterprise level functionality and service excellence designed specifically for growth-oriented employers and entrepreneurial businesses.

