Frequently Asked Questions about your HSA

Thank you for choosing First American Bank Health Account Services to be your HSA provider. We want to make it easy for you to manage and maintain your Health Savings Account, so we've provided you with these frequently asked questions.

Eligible Expenses

Healthcare costs that qualify for payment using HSA funds include:

- Doctor Visits (including co-pays, deductibles, co-insurance, etc.)
- Dental and Vision Services
- Chiropractic Care
- Prescriptions
- Other expense may also be eligible

A list of HSA eligible expenses is available on the IRS Web site, www.irs.gov in IRS Publication 502.

Health Savings Account FAQs

1. What is a Health Savings Account (HSA)?

An HSA is a special tax-advantaged savings account similar to a traditional Individual Retirement Account (IRA) but designated to pay for qualified medical expenses. An HSA allows you to pay for current eligible healthcare expenses and save for future qualified medical and retiree healthcare expenses on a tax-favored basis.

HSAs provide triple-tax advantages: contributions, investment earnings, and qualified distributions all are exempt from federal income tax, FICA (Social Security and Medicare) tax and state income taxes (for most states).

Unused HSA dollars roll over from year-to-year, making HSAs a convenient and easy way to save and invest for future medical expenses. You own your HSA at all times and can take it with you when you change medical plans, change jobs or retire.

Funds in the account not needed for near-term expenses may be able to be invested, providing the opportunity for funds to grow. Refer to the Consumer Portal to find out your investment options.

To be eligible to set up an HSA and to make contributions, you must be covered by a qualified high-deductible health plan, or HDHP.

2. How does an HSA work?

a. To be eligible to contribute to an HSA, you must be covered by a qualified HDHP and have no other first dollar coverage (insurance that provides payment for the full loss up to the insured amount with no deductibles).

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b. You may use your HSA to help pay for medical expenses covered under a HDHP, as well as for other common qualified medical expenses.
c. Unused HSA funds remain in your account for later, and may be able to be invested in a choice of investment options, providing the opportunity for funds to grow.

HSAs work in conjunction with an HDHP. All the money you (or your employer) deposit into your HSA up to the maximum annual contribution limit is 100% tax-deductible from federal income tax, FICA (Social Security and Medicare) tax, and in most states, state income tax. This makes HSA dollars tax-free. You can use these tax-free dollars to pay for expenses not covered under your HDHP until you have met your deductible.

The insurance company pays covered medical expenses above your deductible, except for any coinsurance; you can pay coinsurance costs with tax-free money from your HSA. In addition, you can use your HSA tax-free dollars to pay for qualified medical expenses not covered by the HDHP, such as dental, vision and alternative medicines.

Contributions

Tax-free contributions to your HSA can be made in a variety of ways, including:

1. Pre-tax payroll contributions, if available through your employer.
2. Online transfers — transfer funds directly to your HSA from your linked personal savings or checking account
3. Send a check to First American Bank Health Account Services for deposit into your HSA.
4. Rolling over or making a transfer from an existing IRA (Individual Retirement Account) to an HSA, but only once in your lifetime.

Distributions

Distributions from your HSA are used to pay for qualified medical expenses. This can be done by the following methods:

1. Paying for purchases and medical services using your First American Bank Health Account Services prepaid Mastercard® debit card.
2. Using online bill pay through your online Consumer Portal.
3. Requesting self-reimbursement through the Consumer Portal when you have already paid out-of-pocket for qualified expenses.
4. Paying with an HSA check (fees may apply).

How It Works

Your HSA allows you to save pre-tax income that you can use to pay for qualified short- and long-term medical expenses. It complements your HDHP, giving you an additional method to save specifically for healthcare costs.

3. Who can have an HSA?

You must be:

1. Covered by a qualified high-deductible health insurance plan;
2. Not covered under other health insurance;
3. Not enrolled in Medicare; and
4. Not another person's dependent.

Exceptions: Other health insurance does not include coverage for the following: accidents, dental care, disability, long-term care, and vision care. Workers' compensation, specified disease, and fixed indemnity coverage is permitted.

4. How much can I contribute to my HSA?

For 2021, the maximum contribution for an eligible individual with self-only coverage is $3,600 and the maximum contribution for an eligible individual with family coverage is $7,200. Individuals who are eligible individuals on the first day of the last month of the taxable year (December for most taxpayers) are allowed the full annual contribution (plus catch up contribution*, if 55 or older by year end), regardless of the number of months the individual was an eligible individual in the year.

2021	Minimum Deductible	Maximum Out-of-Pocket	Contribution Limit	55+ Contribution
Single	$1,400	$7,000	$3,600	$1,000
Family	$2,800	$14,000	$7,200	$1,000

* Catch-up contributions are allowed for those greater than 55 years of age ($1,000). Catch-up contributions can be made at any time during the year in which the HSA participant turns 55.

For more detailed information on HSAs and taxes, visit the U.S. Department of Treasury website at www.ustreas.gov or talk with your tax advisor.

5. What is a HDHP?

With a HDHP, you have the security of comprehensive healthcare coverage. Like a traditional plan, you are responsible for paying for your qualified medical expenses up to the in-network deductible; however, the deductible will be higher, and you can use HSA funds to pay for these expenses.

After the annual deductible is met, you are responsible only for a portion of your medical expenses through coinsurance or co-payments, just as with a traditional health plan.

The deductible and maximum out-of-pocket expenses are indexed annually for inflation by the IRS and U.S. Department of Treasury.

6. How do I know if my health plan is a "qualifying (or qualified)" HDHP?

The health insurer or your employer can verify the status of your coverage. In addition, the words "qualifying (or qualified) high-deductible health plan" or a reference to IRC (Internal Revenue Code) Section 223 will be included in the declaration page of your policy or in another official communication from the insurance company. A HDHP is a health insurance plan that generally doesn't pay for the first several thousand dollars of healthcare expenses (i.e., your "deductible") but will generally cover you after that.

It is important when selecting your HDHP that your insurance carrier verify and guarantee that the HDHP meets IRS regulations to ensure your HSA is qualified.

7. How do HSAs differ from healthcare flexible spending accounts (FSAs)?

Both HSAs and FSAs allow you to pay for qualified medical expenses with pre-tax dollars. One key difference, however, is that HSA balances can roll over from year-to-year, while FSA

money left unspent at the end of the year is limited to a $500 carryover to the immediately following plan year OR a grace period. You may choose to use a Limited Purpose FSA to pay for eligible healthcare expenses and save your HSA dollars for future healthcare needs. You may use Limited Purpose FSA dollars to reimburse yourself for expenses not covered by your HDHP, such as:

1. Vision expenses, including: Glasses, frames, contacts, prescription sunglasses, goggles, vision co-payments, optometrists or ophthalmologist fees, and corrective eye surgery
2. Dental expenses, including: Dental care, deductibles and co-payments, braces, x-rays, fillings, and dentures

8. What are the tax advantages of owning an HSA?

Triple Tax Savings:

1. Contributions are tax-free
2. Earnings are tax-free
3. Withdrawals are tax-free when made for eligible medical care expenses

Three kinds of tax-favored contributions:

1. Employee contributions that are deductible over-the-line (i.e. deductible even by non-itemizers)
2. Employer contributions that are excluded from income and employment taxes.
3. Salary reduction contributions made through a Section 125 cafeteria plan.

All three forms of contributions are exempt from federal income taxes. Employer and salary reduction contributions (section 125 cafeteria plan) are exempt from FICA and FUTA as well.

9. May I have more than one HSA?

Yes, you may have more than one HSA and you may contribute to them all, as long as you are currently enrolled in an HDHP. However, this does not give you any additional tax advantages, as the total contributions to your accounts cannot exceed the annual maximum contribution limit. Contributions from your employer, family members, or any other person must be included in the total.

10. Can I get an HSA even if I have other insurance that pays medical bills?

You're only allowed to have auto, dental, vision, disability and long-term care insurance at the same time as an HDHP. You may also have coverage for a specific disease or illness as long as it pays a specific dollar amount when the policy is triggered.

11. Can my HSA be used to pay premiums?

No, this would be a non-medical withdrawal, subject to taxes and penalty.

Exceptions. No penalty or taxes will apply if the money is withdrawn to pay premiums for:

1. Qualified long-term care insurance; or
2. Health insurance while you are receiving federal or state unemployment compensation; or
3. Continuation of coverage plans, like COBRA, required under any federal law; or
4. Medicare premiums.

12. Can I use the money in my HSA to pay for medical care for a family member?

Generally, yes. Qualified medical expenses include unreimbursed medical expenses of the accountholder, his or her spouse, or dependents.

13. What is a qualified medical expense?

A qualified medical expense is one for medical care as defined by Internal Revenue Code Section 213(d). The expenses must be primarily to alleviate or prevent a physical or mental defect or illness, including dental and vision. Most expenses for medical care will fall under IRC Section 213(d).

However, some expenses do not qualify. A few examples are:

- Surgery for purely cosmetic reasons
- Health club dues
- Illegal operations or treatment
- Maternity clothes
- Toothpaste, toiletries, and cosmetics

HSA money cannot generally be used to pay your insurance premiums.

*See IRS Publications 502 ("Medical and Dental Expenses") and 969 ("Health Savings Accounts and Other Tax-Favored Health Plans") for more information.

14. What happens to my HSA if I quit my job or otherwise leave my employer?

Your HSA is portable. This means that you can take your HSA with you when you leave and continue to use the funds you have accumulated. Funds left in your account continue to grow tax-free. If you are covered by a qualified HDHP you can even continue to make tax-free contributions to your HSA.

Distributions from your HSA used exclusively to pay for qualified medical expenses for you, your spouse, or dependents are excluded from your gross income. Your HSA can be used for qualified medical expenses even if you are not currently eligible to make contributions to your HSA.

Upon termination, you may be offered to leave your HSA in an account with your former employer or you may transfer it to another custodian. Maintenance fees may be charged by your former employer if you leave your HSA in place.

15. How and when can money be taken out of an HSA?

Accountholders may make a withdrawal (also known as a distribution) at any time. Distributions received for qualified medical expenses not covered by the HDHP are distributed tax-free. Distributions can be requested via the Consumer Portal.

Unless individuals are disabled, age 65 or older, or die during the year, they must pay income taxes plus an additional percentage (determined by the IRS) on any amount not used for qualified medical expenses. Individuals who are disabled or reach age 65 can receive non-medical distributions without penalty but must report the distribution as taxable income.

16. How are distributions from my HSA taxed after I am no longer eligible to contribute?

If you are no longer eligible to contribute because you are enrolled in Medicare benefits, or are no longer covered by a qualified HDHP, distributions used exclusively to pay for qualified

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medical expenses continue to be free from federal taxes and state tax (for most states) and excluded from your gross income.

17. What happens to the money in my HSA after I reach age 65?

At age 65 and older, your funds continue to be available without federal taxes or state tax (for most states) for qualified medical expenses; for instance, you may use your HSA to pay certain insurance premiums, such as Medicare Parts A and B, Medicare HMO, or your share of retiree medical coverage offered by a former employer. Funds cannot be used tax-free to purchase Medigap or Medicare supplemental policies.

If you use your funds for qualified medical expenses, the distributions from your account remain tax-free. If you use the monies for non-qualified expenses, the distribution becomes taxable, but exempt from the penalty (determined by the IRS). With enrollment in Medicare, you are no longer eligible to contribute to your HSA. If you reach age 65 or become disabled, you may still contribute to your HSA if you have not enrolled in Medicare.

18. What risks are there with an HSA?

Any funds that you keep in the cash account of your HSA are FDIC insured up to $250,000. Once a minimum amount is in your cash account, you have the option to make investments via your online portal. As with any investments, these are not FDIC insured, not bank guaranteed, and may lose value.

19. How do I make investments?[1]

Please refer to the Consumer Portal for a listing of investments available to you along with their return rate. Via Consumer Portal, you may choose which mutual funds you wish to purchase and sell. You may use the Consumer Portal to review your investments as well as update the percentage allocated to each mutual fund you have chosen.

20. What fees are involved?[1]

Your HSA Administrator may charge service fees for administration and/or services. Please contact them for a list of applicable fees. Please refer to the Custodial Agreement for any instances of fees that may be charged. Any fees associated with investments will be shown in the mutual fund prospectus.

1-Prior to the end of each calendar quarter, we deduct a custodial management fee from your Investment Account in an amount of (.075%) per quarter or equal to an annual fee of (0.30%) on balances invested in mutual funds in your Investment Account. Investors should carefully read the Fund prospectus, which includes information on the Fund's investment objectives, risk, as well as charges and expenses along with other information before investing or sending money. Funds in the investment portion of your HSA account are Not FDIC insured, May Lose Value and are Not Bank Guaranteed. Neither First American Bank nor its subsidiaries (collectively "First American Bank") are registered investment advisors nor is First American Bank acting in the capacity of a registered investment advisor with respect to the offering of HSA investment options. Participation in the investment options is voluntary. Under no circumstances is First American Bank offering any of the HSA investment options and First American Bank makes no representations with respect to the investment options offered. First American Bank disclaims any and all liability, contingent or otherwise, for the performance of the investment options. Please see your financial advisor for personal investment advice.

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