Health Savings Account (HSA)

Presented By:

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Company Overview

Our Mission

“Our mission is to be dedicated to providing an administration solution that addresses the overwhelming changes in the benefits market today, with a focus on member satisfaction, ease of use, and an advanced technology platform, at the most cost effective price.”

Peter H. Jennings, Founder
Human Resource Concepts, LLC

Our Background

HR Concepts, LLC was founded in 2001 with the sole purpose of becoming a company’s “Single Source Solution” to Third Party Administration and Benefit Consulting/Design. We have grown to be among the leading TPA’S in New England by offering similar services as our competitors, but with a focus on delivering exceptional customer service, utilizing an enhanced technology platform, and distributing our services through a brokered/association focused channel. HR Concepts has positioned itself competitively by offering service enhancements that other Third Party Administrators don’t offer, and by utilizing technology, we have been enabled to deliver our services with a new marketing appeal at a reduced cost of administration. Our exceptional customer service focus and commitment to this space has enabled HR Concepts to stand out as a regional leader in Third Party Administration.

Our Approach

The outsourcing of certain key functions of a company has been a growing trend that employers are utilizing to maintain expenses, stay current with all the new compliance regulations, streamline and become more effective in certain overhead draining expenses, and to allow companies to focus on their core business elements. HR Concepts offers full service third party administration at wholesale pricing. We handle all of a client’s benefit administration needs, documents, compliance, and employee education, at a fraction of the cost of our competition. Our services are delivered through insurance brokers and associations which enable us to reduce our cost of marketing and certain business overhead costs. HR Concepts is comprised of multiple layers of services, that when combined, the depth of our capabilities, provides a “Single Source Solution” to manage all of a company’s benefit administration needs.

Our Commitment

HR Concepts offers services that consist of Third Party Administration (Flex Plans, HSA’s, Commuter Plans, HRA’s, Dental Plans, and COBRA), and Benefit Consulting / Design. Though many companies offer these services individually, no one combines the expertise of each and delivers them to the marketplace under one umbrella, “A Single Source Solution”. We are committed to taking the needs and uniqueness of each of these services, combined with the talent and experience of our staff, and deliver them to our clients with a focus on exceptional customer service, integrity, honesty, and a fair price. Our firm is an employer’s “Single Source Solution” to Benefit Administration.
Health Savings Account (HSA)

1. What is a Health Savings Account?
A Health Savings Account, or HSA, is a tax-exempt account with a financial institution in which funds accumulate to pay for medical expenses. They were created in response to the rising cost of health care with the intent to give the consumer back the control of their health care costs as part of a movement towards consumer-driven health-care.

2. Why Would a Company Consider a HSA?
HSA’S give financial incentives for employers of all sizes to provide health insurance benefits to their employees and allow them to save money on a pre-taxed basis for their medical expenses. HSA’S allows companies to enjoy tax reductions while having affordable health insurance premiums.

3. How Does A HSA Work?
Before a health savings account can be opened, a qualified High Deductible Health Plan (HDHP) must be in place to cover the individual or family. An HDHP provides health coverage for an individual or family with an affordable premium. The guidelines for an HDHP are determined by the Internal Revenue Service each year. To determine if your plan qualifies, please contact your health plan representative. The current requirements of an HDHP are as follows:

<table>
<thead>
<tr>
<th>Deductible Requirements</th>
<th>Minimums for Tax Year 2012:</th>
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<tbody>
<tr>
<td></td>
<td>$1,200 for Single</td>
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<tr>
<td></td>
<td>$2,400 for Family</td>
</tr>
<tr>
<td>Maximum Out-of-Pocket</td>
<td>Maximums for Tax Year 2012:</td>
</tr>
<tr>
<td></td>
<td>$6,050 for Single</td>
</tr>
<tr>
<td></td>
<td>$12,100 for Family</td>
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</tbody>
</table>

After a qualified HDHP has been put into place, an employee decides if they are going to fund a portion of the deductible for the employee. Whatever portion of the deductible is not funded by the employer, the employee has the opportunity to contribute to the HSA to make up the difference. Contributions can be made according the schedule below.
Health Savings Accounts (HSA) (Continued)

4. Contribution Schedule
Health Savings Accounts (HSA) provide tax benefits for the funds that you contribute. However, the Internal Revenue Service limits the amount you are able to contribute to an HSA for each tax year. If you contribute more than the IRS allows, you could incur tax penalties. To avoid making excess contributions, coordinate your contributions with any other contributions that are being made to your account by an employer or another third-party.

- Contributions can be made by:
  - Accountholders / Individuals
  - Employers
  - Any other third party

- Contributions are tax-deductible for the accountholder. Employer contributions and employee contributions through a Section 125 Plan are pre-tax.

- Contributions made to an accountholder’s account belong to the accountholder until the funds are used (please see the Distributions section below).

- Employer contributions must be made on a comparable basis.

- Contributions are limited to the lesser of 100% of the deductible or the IRS Contribution Limit.

5. What are the Limits
The Internal Revenue Service (IRS) reviews and determines the HSA contribution limits on an annual basis. An accountholder is able to contribute 100% of their qualified HDHP deductible up to the IRS contribution limit. The limits for 2011 are listed below. An additional catch-up contribution is available to individuals over the age of 55 who are not enrolled in Medicare.

2011 IRS Contribution Limits
An accountholder is able to contribute 100% of their qualified HDHP deductible up to the IRS contribution limit. This limit is subject to change each year.

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<tbody>
<tr>
<td>Single Policy</td>
<td>$3,100</td>
</tr>
<tr>
<td>Family Policy</td>
<td>$6,250</td>
</tr>
<tr>
<td>Catch-up (55 or Older)</td>
<td>$1,000</td>
</tr>
</tbody>
</table>
Health Savings Accounts (HSA) (Continued)

6. Distribution
- Funds can be used tax-free at any time for eligible medical expenses.
- As of age 65, funds can be used for non-eligible medical expenses subject to ordinary income tax without any IRS penalty.
- Prior to age 65, funds can be used for non-eligible medical expenses subject to ordinary income tax and a twenty percent IRS penalty.
- Upon the accountholder’s death, the assets in the HSA become the property of their named beneficiary. If there is no beneficiary named, the assets go to the accountholder’s estate.
  - If the beneficiary is a spouse, the HSA may be treated as their own account.
  - If the beneficiary is a non-spouse, the HSA must be treated as ordinary income for taxation purposes.

7. Tax Advantages
Health Savings Accounts create unique tax benefits for accountholders/individuals.
- Contributions are 100% tax-deductible
- Funds grow on a tax-deferred basis, and if the funds are used for an eligible medical expense, the funds are tax-free
- Funds roll over from year to year, and funds used after age 65 are able to be used tax-free for eligible medical expenses or at your normal tax rate for any other reason

Over the life of your Health Savings Account, you could save thousands of dollars in taxes.

Federally qualified Health Savings Accounts are tax-deductible, tax-deferred and tax-free.

**Tax-deductible** – Contributions to your HSA are able to be deducted from your gross income.

**Tax-deferred** – HSA funds grow without being subject to taxes until they are used for non-eligible medical expenses.

**Tax-free** – The funds in an HSA are completely tax-free when used for eligible medical expenses.
Strategic Banking Partner

Strategic Banking Partner for the Savings Account

HR Concepts handles all the administration and provides a local regional approach to the claims adjudication, employer interface, customer service, and employee training/education. However, the investment vehicle for the savings account needs to be offered through a qualified custodian/trustee. For this reason, HR Concepts through our current strategic business partner Lighthouse 1, has aligned our administration with HealthcareBank.

As a national leader in the Health Savings Account market, HealthcareBank located in Fargo, North Dakota, is dedicated to providing resources and expertise to help consumers gain control of their health care decisions.

Custodial Expertise

Deposits and investments for consumer-driven healthcare accounts are held and managed by HealthcareBank, a division of State Bank & Trust (member FDIC). State Bank & Trust is one of the Midwest’s largest privately-held financial institutions, with combined asset management of over $4 billion dollars.

Your partner in the CDH market, not your competition.

Engaged in the custodial management of CDH funds and investments since the inception of HSAs, HealthcareBank has the knowledge and experience of the consumer-driven healthcare industry to support benefit plan administrators as you look to market and brand your own CDH solutions.

Custodial Transparency

HealthcareBank’s benefit banking solutions are unique from national competitors, as they serve to leverage the strengths of the administrator while HealthcareBank remains a silent partner, supporting your HSA custodial needs.
Outline Of Services

Initial Setup / Installation / Take-Over

1. Initial Consultation
   Whether you have a HSA program or not, HR Concepts will take the time necessary to analyze and develop the right HSA program to fit your company’s budget and benefit needs. We will integrate with your existing benefit programs and implement our procedures, which you customize, to keep your employees satisfied.

2. Interface With Existing Broker / Benefit Consultant
   After we have analyzed your current Health Insurance design, HR Concepts will interface with your existing broker / benefit consultant to research available health plans and their costs.

3. Setting Up Of The Systems
   In order to process the claims efficiently and accurately, HR Concepts, along with your input, will design the best procedures in order to manage claims. Your Health Insurance plan design and outline of benefits will be inputted into our systems and if your company chooses to utilize the debit card, the cards will be ordered and programmed.

Employee Communications

1. Enrollment Forms / Materials
   HR Concepts will provide you with a customized outline of Health Plan Letter that will be given to the employees during the enrollment process.

2. Enrollment Meetings
   Upon the initial setup or takeover, HR Concepts will provide enrollment meetings and education sessions to introduce the HSA to the employees. After this initial time, HR Concepts will conduct enrollment meetings for employees annually and when there is a significant amount of new hires.

3. Claim Forms
   If the employer decides to monitor the claims reimbursement for the employee, HR Concepts will provide claims forms that can be submitted to track eligible expenses that are deducted from the account.

On-Going Administration Services

1. Daily Claims Administration
   HR Concepts provides employers with a HSA Debit card for each employee. These cards are considered VISA Cards, however, they can be programmed to only be used at predefined locations. If an expense can not be put through on the card, the employee can submit a claim to HRC for reimbursement of the expense paid out of pocket.

2. Online Employee Account Balances
   Employees will have access to checking their balances of their HSA accounts online. They will also be allowed to download claim forms off of our website.

3. Online Employer Account Statuses
   Employers will have access to periodic plan activity and employee’s account balances via the web or by calling HR Concepts.
Implementation and Ongoing Administration Schedule

Phase I
1. Application taken and plan designed
2. Interface with broker / benefit consultant
3. Design the enrollment material
4. Set the enrollment dates
5. Funding discussed and set up
6. Setup/Installation charges billed (Due within 30 days)

Phase II
1. Enrollment meeting letter goes out with paychecks or posted
2. Enrollment meetings performed
3. Employees complete their enrollment forms and return them to HR
4. HR forwards a complete list of all the employees who will have a HSA account to HR Concepts
5. HR Concepts enters data from the census given
6. Confirmation letter and welcome kits are sent out to employees

Phase III
1. Daily processing of claims commencing
2. The online web access opened up for employees to check balance
3. HSA account balance / claims monitored

Phase IV
1. Daily processing of claims
2. HSA account balance / claims monitored
3. Analyst of program for effectiveness and costs savings
4. Future employee enrollment meetings conducted
5. Updates and plan amendments completed
**Fee Schedule**

HR Concepts is a full servicing Third Party Administrator. Our philosophy on pricing is to include all of our services for the plan you purchase for one simple fee. We do not have any additional charges other than what is outlined below. HSA Bank does have other traditional fees associated with their checking account if the employee uses the check options, or other banking services. The employee will receive an outline of all their potential fees with their welcome kit from HealthcareBank. Each plan, regardless of the options chosen, will have an installation price, renewal fee, and a monthly account fee. All of the services outlined for HR Concepts in this proposal, are included in our pricing model. We appreciate a company’s necessity to gather competitive pricing to compare costs, so if there are any questions or comments on our pricing / services, please don’t hesitate to ask. Thank you for considering HR Concepts, LLC as your Administrator of choice.

**Health Savings Account**

<table>
<thead>
<tr>
<th>Service</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic set up</td>
<td>$5/Participant</td>
</tr>
<tr>
<td>Paper set up</td>
<td>$10/Participant</td>
</tr>
<tr>
<td>Employee Account</td>
<td></td>
</tr>
<tr>
<td>Maintenance Fee</td>
<td>$2.95/Participant/Month with a HSA Account. (Employer or Employee paid)</td>
</tr>
<tr>
<td>Debit Cards</td>
<td>No Charge</td>
</tr>
<tr>
<td>Online Statements</td>
<td>No Charge</td>
</tr>
<tr>
<td>Account Closure</td>
<td>$25/Participant</td>
</tr>
</tbody>
</table>

(Additional HSA Account fees may apply for additional services participants may elect on their own)

- Paper check reimbursement- $3/check
- Paper Account Statements- $25/Participant/Annually

Some additional bullet points are:
- One easy to use platform for participants to log into to check all balances of FSA, HRA, and HSA accounts
- Request distributions on-line with reimbursements made by check, debit card, direct deposit or pay the provider direct.
- Limited purpose FSA capabilities
- Make contributions online from multiple bank accounts
- Update bank account info, profile info, and dependent info on the portal.
- Mobile app access for Android and iPhone
- Real time debit card
- Cash account that gains first dollar interest (rate at .10%)
- Integrated Investment account that is baked into the platform so that you do not have to log into another portal to manage. Easily accessible for the consumer to manage their funds.
- Diversified investment funds offered on the Schwab system.
- Stackable debit card for HSA and limited purpose FSA and HRA accounts.
- Easily accessible reporting for consumers as well as employers to access.