

Southeastern Freight Lines Health Savings Account (HSA) FAQ



What is a Health Savings Account (HSA)?

A Health Savings Account, or HSA, is a tax-advantaged account that you can use to set aside tax-free dollars to pay for eligible medical, dental, and vision expenses as defined by the Internal Revenue Service (IRS)¹. It is an option for associates electing Southeastern Freight Lines' HSA-compatible High-Deductible Health Plan (HDHP), which is called the HSA Plan.

What is an HSA-compatible health plan?

The IRS defines and sets criteria for an HSA-compatible health plan with minimum annual deductibles, contribution limits, and maximum out-of-pocket limits for self-only and family coverage. The IRS also defines and sets criteria for the HSA. Please visit

<http://hsabank.com/hsabank/Education/Limits.aspx> for current contribution limits and IRS guidelines.

Who is eligible to establish an HSA at Southeastern?

You are eligible to open an HSA and make or receive HSA contributions if:

- You elect Southeastern's HSA-compatible HDHP: the HSA Plan
- You are not enrolled in Medicare
- You are not claimed as a dependent on someone else's tax return
- You do not have other non HSA-compatible coverage, including a general purpose Flexible Spending Account (FSA) or Health Reimbursement Arrangement (HRA)²

How does VA Benefits/Tricare/Medicare coverage affect my eligibility for the HSA?

Per IRS publication 2004-50, coverage under Tricare or Medicare (any part) does not meet the minimum deductible requirements for an HDHP under IRS section 223(c)(2) and therefore disqualifies an individual from contributing to an HSA. Individuals who have received medical benefits from the Veterans Administration within the previous three months are also ineligible to contribute to an HSA. Veterans seeking treatment for service related disabilities are not subject to the three-month rule and would be eligible to make contributions.

What are the benefits of enrolling in an HDHP with an HSA?

- Unused funds roll over from year-to-year (unlimited balance)
- No "use it or lose it" penalty
- Tax benefits on contributions, earnings and distributions
- Contributions are pre-tax or tax-deductible
- Portability
- Funds follow you if you leave Southeastern Freight Lines
- Self-directed investment opportunities
- You may invest your balance through either TD Ameritrade's or Devenir's self-directed investment platforms³



Can you contribute to an HSA if you elect the Co-Pay Plan option?

No, because it is not an HDHP.

Am I eligible to contribute to an HSA in addition to a Flexible Spending Account (FSA)?

No, Southeastern does not offer FSAs that are compatible with HSAs.

How do I establish an HSA?

In order to establish an HSA at Southeastern, you must elect Southeastern's HDHP option. A welcome kit from HSA Bank will be mailed to your home with your HSA Bank account number. The welcome kit will also contain instructions for you to access your account online and details about optional, self-directed investment options. In a separate mailing, you will receive your HSA Bank Health Benefits Debit Card(s).

Who is HSA Bank?

HSA Bank, a division of Webster Bank, N.A., is located in Sheboygan, Wisconsin, and Milwaukee, Wisconsin, and is one of the nation's leading HSA custodians. It focuses solely on the administration, service, and support of account-based benefit solutions. HSA Bank entered the consumer-driven health care market in 1997 by offering Medical Savings Accounts to small employers and the self-employed. With the passage of the Medicare Prescription Drug, Improvement & Modernization Act of 2003, which established HSAs, HSA Bank immediately redefined its product offering to provide and service HSAs.

Is interest paid on my HSA balance?

Yes. Your HSA funds will accumulate interest each year, just like a traditional savings account. You will benefit from a tiered-interest rate structure on balances maintained in your HSA with HSA Bank. This means the more you save, the more you earn. The interest earned is also tax free and can be used to pay eligible medical expenses tax-free. Interest rates are subject to change at any time by HSA Bank.

Is there a cost associated with having an HSA?

Please refer to your HSA Bank Fee and Interest Rate Schedule included in your welcome kit for specific details regarding the balance waiver computation and for a complete list of fees.

CONTRIBUTIONS TO THE HSA

Will Southeastern Freight Lines contribute money to my HSA?

Southeastern Freight Lines will match 50% of your contributions, up to the amounts listed below if you elect pre-tax payroll contributions, depending on your medical coverage. For example, if you have Family coverage and contribute \$2,000, you will be matched \$1,000.

Single Coverage Only:	\$500	Associate and Child(ren):	\$1,000
Associate and Spouse:	\$1,000	Family:	\$1,000

How much can I contribute annually to an HSA?

Each year the IRS sets an annual maximum contribution. All contributions, including those made by Southeastern Freight Lines, will count towards the annual limit. For HSA contribution limits and catch-up amounts, go to the IRS website at

www.irs.gov/publications/p969/ar02.html. You can also use the HSA Contribution Calculator on the HSA Bank Member Website to help you determine your maximum annual contribution.

Do I need to prorate my contributions if my health plan coverage starts mid-year?

The IRS states that if you have HSA qualifying coverage as of December 1, you are allowed to contribute up to the full contribution limit even though you did not have coverage as of January 1. However, you will then be subject to the "testing period." The "testing period" means you must maintain the HDHP coverage for the entire following calendar year or penalties may apply. If you decide to contribute only up to a prorated amount based on the months of actual coverage under the HDHP, you will not be subject to the testing period.

How do I make contributions to my HSA?

If you are an active associate of Southeastern Freight Lines, you may contribute to your HSA through pre-tax payroll deductions. Active associates can also make after-tax online transfers and/or use mail-in options including sending paper check and money orders directly to HSA Bank. Any after-tax contributions you make to your HSA are tax deductible.

How is the annual maximum contribution tracked?

All contributions, regardless of source (i.e. pre-tax payroll, employer, and/or post-tax contributions) will count towards the annual contribution limit for the year. It is your responsibility to monitor your own contribution as the account is owned by you. Southeastern Freight Lines is not responsible for tracking associate contributions.

What are catch-up contribution amounts for individuals age 55 and over?

In addition to the annual maximum contribution amount, "catch-up" contributions may be made by or on behalf of accountholders age 55 and older until enrolled in Medicare benefits. If you qualify for catch-up contributions, your HSA contribution limit is increased by \$1,000. Once you are enrolled in Medicare benefits, regular and catch-up contributions cannot be made.

What happens if more money is contributed to the HSA than allowed?

You must request a refund of excess contributions plus interest through HSA Bank. To avoid a tax penalty, these excess funds must be withdrawn by the date your federal income tax return, including extensions, is due. As the owner of the HSA, it is your responsibility not to exceed the maximum contributions allowed.

What is the tax treatment for HSA contributions?

Contributions through payroll deduction are exempt from federal taxes. If you fund your HSA with post-tax dollars, the contribution is still tax deductible.

What happens to the HSA funds if my status changes and I am no longer HSA-eligible?

The funds in your HSA belong to you and are still available to you if you become ineligible for any reason, such as a change in the type of health plan coverage or Medicare enrollment. If you are no longer eligible, you can no longer contribute to the account, but you can still take distributions of funds on a tax-free basis to pay your IRS-qualified medical expenses. Additional monthly fees may apply.

What happens to my HSA balance if I change coverage levels during the benefit period?

If you need to change the coverage level for your HSA plan as a result of a qualified life change event, your annual maximum contribution limit may change. If you change from single to family coverage, you may now fund the family maximum as long as you remain eligible for the HSA throughout all of the following calendar year. If you change from family to single, you must prorate your contribution limit by however many full months you were eligible. You can visit HSA Bank's website at <http://www.hsabank.com/hsabank/Education/Limits.aspx> for more information or contact HSA Bank for assistance with prorating your contribution limits.

Can I transfer money from another tax-favored account into my HSA?

The IRS allows the direct transfer or rollover of funds into an HSA from another HSA or Medical Savings Account (MSA). However, you cannot roll over funds from a spouse's account into your HSA. Direct transfers or rollovers from HSAs or MSAs do not count towards the IRS contribution limit for the year. Additionally, IRS regulations permit a once in a lifetime direct transfer of funds from an IRA to an HSA, which is called an HSA-qualified funding distribution. The amount transferred from the IRA counts towards the annual IRS contribution limit. It is advisable to speak with a qualified tax professional before initiating any transfer or rollover.

HSA-ELIGIBLE EXPENSES

Can I use my HSA funds to cover any health expense?

You can use your HSA funds to pay your IRS-qualified medical expenses that are being applied to your HDHP deductible and coinsurance, as defined by Section 213(d) of the Internal Revenue Code. You can locate a quick reference guide of eligible medical expenses at www.hsabank.com/hsabank/learning-center/irs-qualified-medical-expenses or for more information, IRS Publication 502. As the HSA account owner, you are responsible for maintaining records documenting medical expense distributions.

If you make a distribution from your HSA for any non-qualified healthcare expenses, a penalty of 20% plus ordinary income taxes may be due on the amount of money spent.

The 20% penalty does not apply once you turn 65 years old, become disabled, or upon your death. However, amounts distributed for non-qualified expenses are taxable at ordinary income rates.

Can I use the HSA to pay medical expenses incurred before the HDHP with HSA coverage was established?

No. Medical expenses may not be paid from an HSA if the expenses were incurred before the HSA was established and funded.

Are health insurance premiums considered IRS-qualified medical expenses?

The following types of insurance premiums count as eligible medical expenses under an HSA:

- COBRA healthcare continuation coverage
- Healthcare coverage while you are receiving unemployment compensation
- Medicare and retiree health insurance (but not Medicare supplement plans) after age 65
- Qualified, long-term care insurance

If my family is not covered under my HDHP coverage, can I still use my HSA funds to pay their IRS-qualified medical expenses?

Yes, you may use HSA funds to pay the eligible medical expenses of your spouse and any dependents listed (claimed) on your income taxes regardless of their health plan coverage and/or eligibility for the HSA. However, funds cannot be used for reimbursement of expenses reimbursed through another tax-favored account.

Are HSA distributions monitored to make sure they are used for IRS-qualified medical expenses?

You, as the owner of the account, are responsible for determining if distributions are for eligible medical expenses. HSA Bank will not require you to submit receipts or invoices to distribute funds. If the IRS questions any distributions, it is your responsibility to prove those expenditures were for IRS-qualified medical expenses. For your protection, it's recommended that you save your receipts.

If I incur an expense that exceeds the amount currently in the account, can I take a distribution for the full amount for the expense?

No, the maximum distribution is the available balance in your HSA. After additional contributions are made to the HSA, you may then take more distributions to reimburse yourself.

What happens if my HSA funds are depleted?

If you use all the funds in your HSA during the benefits period, you will be responsible to pay out-of-pocket. Once you accumulate enough funds in your HSA, you can reimburse yourself.

CLAIMS PROCESSING

How do I access my HSA funds?

HSA Bank Health Benefits Debit Card: You will receive a debit card for your account from HSA Bank. You can present the debit card for direct payment of service for IRS-qualified medical expenses to any provider who accepts Visa. To pay for IRS-qualified medical expenses with your debit card, use your card at point-of-sale with signature or PIN and at ATMs.

Member Website: For any expenses you pay out-of-pocket, you can transfer funds from your HSA Bank account to your external, personal checking or savings account, or pay providers directly utilizing the free online distribution options at <https://MyAccounts.hsabank.com>.

Do HSA accountholders receive statements?

Yes, monthly electronic statements are accessible online at <https://MyAccounts.hsabank.com>.

PORTABILITY

Can HSA funds be carried over into future years?

Yes. HSAs are individually held accounts. Unused funds roll over from year to year. There's no "use it or lose it" penalty.

What happens to my account if I leave the company?

The funds in your HSA belong to you and go with you if you leave the company. If you are no longer covered by a qualifying HDHP, you can no longer contribute to the account, but you can still take distributions of funds on a tax-free basis to pay your IRS-qualified medical expenses. Additional fees and requirements may apply.

What are the income tax consequences for my HSA balance after my death?

Upon your death, any remaining balance in your HSA becomes the property of the legal beneficiary. If you do not name a beneficiary, then any remaining balance in your HSA will be payable to your estate. To name a beneficiary, please contact HSA Bank for the proper form.

If your beneficiary is your surviving spouse, the account can be treated as your spouse's HSA after your death. Your surviving spouse will not owe taxes or penalties on the HSA provided if it is used for IRS-qualified medical expenses.

If your beneficiary is someone other than your spouse, the HSA ceases to be an HSA on the date of your death. Non-spouse beneficiaries must take a full distribution from the HSA and pay income taxes on the amounts they receive, but do not have to pay the 20% penalty for non-eligible distributions.

For more information on how to add a beneficiary and general beneficiary related questions, please contact HSA Bank's Client Assistance Center directly.

Who do I contact with questions about my HSA Bank account?

If you have questions about your HSA account, please contact the HSA Bank Client Assistance Center at 866-471-5946, 24 hours a day, 7 days a week.

HSA Bank does not provide tax or legal advice. Please speak with a qualified tax or legal advisor for information regarding your specific situation.

1. IRS Publication 502, <http://www.irs.gov/pub/irs-pdf/p502.pdf>. State tax laws may vary, and you should consult with an advisor in your state regarding the taxation of HSAs.
2. Exceptions to this rule include "permitted insurance exceptions." Permitted exceptions include: Workers' Compensation, Tort Liabilities, Property and Casualty, Dental Care, Vision Care, Long-Term Care, Insurance for a Specific Disease or Illness, or Insurance that pays a fixed amount per day of hospitalization.
3. Investment accounts are not FDIC insured and they are not bank guaranteed. Investment accounts are not a deposit account, or an obligation of HSA Bank, and they may lose value. They are not guaranteed by any federal government agency.

