



Health Net®

WELLS  
FARGO

Health Savings Accounts

# Employer Implementation Guide



# Welcome to Wells Fargo

Thank you for choosing Wells Fargo Health Benefit Services as the preferred administrator for your organization's health savings account (HSA) plan. At Wells Fargo, we pride ourselves on our high-tech, high-touch personal service. We look forward to providing you and your employees with this same superb level of service for your tax-advantaged HSA.

## Step 1: Finalizing your HSA set up

Included in this Implementation Guide you'll find a number of forms to complete to finalize your organization's HSA set up with Wells Fargo. If you have any questions as you are reviewing the forms, please feel free to contact us at 866-631-1301.

When you have completed and signed the forms, simply mail them back to us in the enclosed reply envelope. All forms must be submitted at the same time or the enrollment process will be delayed.

## Step 2: Employee enrollment

You'll get an e-mail to notify you that your application has been received, what additional information is needed, and if you need enrollment information for your employees. You will also receive information about installing encryption software to enable secure transfer of your payrolls. More information about this can be found in the payroll step-by-step found in this guide. Your broker will contact you to schedule HSA enrollment meetings for employees and will coordinate with your insurance carrier representative if applicable.

- If you are offering your employees pre-tax payroll deductions for HSA contributions, be sure to have your organization's payroll deduction form available for employees at the enrollment meetings.

Determine whether you or your broker will collect all employees' completed forms. Mail all completed forms to Wells Fargo Health Benefit Services at least 30 days before your plan's effective date. This will ensure that your employees receive confirmation letters and debit cards in a timely manner.

Our mailing address:  
Wells Fargo Health Benefit Services  
NW 5613  
PO Box 1450  
Minneapolis, MN 55485-5613

## Step 3: Employee confirmation process

All enrolled employees will receive a confirmation and welcome letter mailed to their homes within seven to 10 business days. This letter includes Web site information, our toll-free customer service number, and the employee's PIN for online account access.

HSA holders will need to determine what percentage of their contributions to invest in each available fund after their accounts have been established. The welcome letter includes instructions for making these selections.

We will mail debit cards to each enrolled employee's home separately from the welcome and confirmation letter in seven to 10 business days. Two debit cards will be sent — even if the employee elects single coverage. Additional cards (for a college student, for example) are available at \$10 each. This amount will be subtracted from the employee's HSA balance.

Enrolled employees will also receive a separate mailing with a prospectus for each of the investment options they have chosen.

## Step 4: Billing and reports

After all data have been entered into our system, you will receive an initial billing statement for the HSA from Wells Fargo if you are paying monthly administrative fees for your employees.

Employees will receive a quarterly report showing their account balance and investment earnings.

That's all you need to do. Wells Fargo will take care of the rest.

Sincerely,

**Wells Fargo Health Benefit Services**

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### Frequently Asked Questions

# Health Savings Account (HSA) Employer Application

Please mail completed form to:

Wells Fargo Health Benefit Services, NW 5613, P.O. Box 1450, Minneapolis, MN 55485-5613

Company Information			
Name			
Street Address			
City		State	Zip
Federal Employer Tax ID		State of Incorporation	
Website Address		Plan Effective Date	
Plan Name		Carrier ID/Group No. (if required by carrier)	
Employer Entity (check one)			
<input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Nonprofit Organization <input type="checkbox"/> Limited Liability Corporation <input type="checkbox"/> Government Entity or Church			
HSA Contact Information			
<i>This should be the person at your company who will receive HSA communication.</i>			
Main Contact		Title	
Phone (area code)	Fax (area code)	E-mail	
<p>The USA PATRIOT ACT OF 2001 requires financial institutions to obtain, verify and record information to confirm the identity of each individual or entity that opens an account. What this means for you: before you open an account, we will ask for your name, address, date of birth (if you are an individual), taxpayer identification number (TIN), and other information that will allow us to identify you. For entities, opening new accounts, we will ask you for documentation that may include annual reports, government issued business licenses or partnership agreements.</p> <input type="checkbox"/> I certify that the purpose and funds for this account are for a Health Savings Account (HSA).			
<b>If no, please explain:</b>			
What is the source of the funds maintained in the account:			
<input type="checkbox"/> Payroll <input type="checkbox"/> Personal Funds <input type="checkbox"/> Other - If other, please explain:			
How were you referred to Wells Fargo:			
Payroll Information			
Payroll is Prepared		Company Payment Options	
<input type="checkbox"/> In House <input type="checkbox"/> Outsourced (specify payroll company)		<input type="checkbox"/> Check <input type="checkbox"/> Wire/ACH <input type="checkbox"/> Draw	
Payroll Contact		Title	
Phone (area code)	Fax (area code)	E-mail	
Administrative Information			
Administrative Fee Payment By		Number of Employee Enrollment Kits Requested	
<input type="checkbox"/> Company <input type="checkbox"/> Participant <input type="checkbox"/> Other (specify):		Monthly Administrative Fee \$	
Available Health Plans			
<i>A Wells Fargo HSA can only be offered in conjunction with a high deductible health plan.</i>			
1. Plan Name			
2. Plan Name			
3. Plan Name			

**Authorization and Payment**

I hereby authorize Wells Fargo Health Benefit Services to provide services based on the information provided within this application.

Signature of Company Representative \_\_\_\_\_

Date \_\_\_\_\_

**Broker Information** (if you did not use an broker to establish this relationship, please skip this section)

Broker Name \_\_\_\_\_

Broker Phone Number (area code) \_\_\_\_\_

Broker E-mail Address \_\_\_\_\_

**Wells Fargo Internal Use Only**

Account #	SEI #	Signed Documents Received:		
		<input type="checkbox"/> Contract	<input type="checkbox"/> Document	<input type="checkbox"/> Fee Schedule
		<input type="checkbox"/> Sweep Agreement	<input type="checkbox"/> Signers	<input type="checkbox"/> Communications
Vendor #	BC #	Document Packet Sent On	Live Date for Card (45 days):	
Processor	Relationship Manager			
Approved By				Approval Date

Website: [www.wfhbs.com/healthnet](http://www.wfhbs.com/healthnet)  
 Phone: 866-631-1301

# Health Savings Account (HSA) Administrative Services Agreement



This Administrative Services Agreement is entered into this \_\_\_\_ day of \_\_\_\_, 20\_\_ by and between Wells Fargo Bank, N.A. (Wells Fargo) and \_\_\_\_ (Employer).

WHEREAS, Employer intends to offer its employees a high deductible health plan and to make available to its employees health savings accounts described in section 223 of the Internal Revenue Code (HSAs), to which it may make contributions, including deferral contributions from its employees' salary, from time to time; and

WHEREAS, Wells Fargo, a national banking association is qualified to act as the trustee of HSAs as defined in section 223(d)(1)(B) of the Internal Revenue Code, provides trustee and administrative services to HSAs; and

WHEREAS, Wells Fargo will act as Trustee for HSA Plans offered to the HSA Owner and provide related services to the Employer for purposes of funding or providing HSA Plans to their employees; and

WHEREAS, Employer desires to engage the services of Wells Fargo to provide such services and Wells Fargo desires to provide such services.

NOW THEREFORE, for and in consideration of their mutual promises herein contained and other valuable consideration, the parties covenant and agree as follows:

**1. Wells Fargo's Duties.** Service provider shall:

- 1.1 Open and maintain an HSA in the name of the Trustee for the benefit of the HSA Owner.
- 1.2 Accept HSA contributions from employer and HSA Owner, including transfers from other financial institutions, up to the maximum amount allowed by law.
- 1.3 Hold in the HSA all cash contributed and gains and losses attributable thereto for the exclusive purpose of paying qualified medical expenses of the HSA Owner pursuant to the provisions of section 223 of the Internal Revenue Code.
- 1.3 Act upon the written directions of the HSA Owner, including settling investment transactions and making distributions from the HSA, provided that directions given in electronic form shall be treated as written directions.
- 1.4 Maintain HSA Owner records reflecting an inventory of the assets of each HSA Account, all activity transacted during the previous year and a market value of the assets of the HSA Account.
- 1.5 Prepare and deliver reports, including a report, setting forth the fair market value of the HSA Account, together with particulars of purchases, sales, receipts, income, loss, and other transactions, and customary confirmations whenever transactions occur, or as otherwise required by law; provided that such reports may be delivered electronically to the extent permitted by law and agreed upon by the parties.
- 1.6 Take direction from the HSA Owner with respect to the voting or tender of proxy materials.
- 1.7 Prepare tax reporting with respect to contributions and distributions as required by the Internal Revenue Code and applicable law (Forms 5498-SA and 1099-SA).
- 1.8 Provide copies of an HSA governing instrument to HSA Owners, together with disclosures as required by law (HSA Plan) and maintain the HSA Plan in compliance with applicable law.
- 1.9 Provide and service debit cards or stored-value cards as permitted by law.

**2. Powers of Wells Fargo.** The service provider is authorized and empowered to:

- 2.1 Receive and rely upon payroll and allocation data from the Employer.
- 2.2 Hold assets in its own name or the name of a nominee for the exclusive benefit of the HSA Owner.
- 2.3 Make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any other instruments that may be necessary or appropriate to carry out the Trustee duties and powers.
- 2.4 At the direction of the HSA Owner, invest the HSA Account in mutual funds, including mutual funds for which it provides services, including investment advisory services and receives compensation, as disclosed to the Employer and HSA Owner.

**3. Employer Duties.** Employer shall:

- 3.1 Provide Service Provider information regarding each employee who establishes an HSA as required by law.
- 3.2 Promptly remit contributions, including salary deferral contributions, and allocation instructions as required by law and agreed by the parties.
- 3.3 Provide Service Provider information regarding termination of employment and expiration of COBRA coverage.

**4. Reports.** Service Provider shall furnish to Employer within 30 days after the end of the year, or as otherwise agreed, such service reports as the parties mutually agree.

**5. Fees.** In consideration for its services, the Service Provider shall receive compensation as set forth below. Such fees shall be paid by the Employer, but to the extent not paid by the Employer by the HSA Owner or the HSA, as mutually agreed by the parties. To the extent that such fees are paid by the HSA Owner or the HSA, they shall be fully disclosed in advance to the HSA Owner. The monthly administrative fee is \$3.75. This fee includes claim payment, reimbursements to participants via check or ACH, reports to the participants and the employer, and investments using the OmniPlus system. These fees also include the Wells Fargo HSA card.

**6. Authorized Representatives.** Employer shall furnish a list to the Service Provider (which list shall be amended time to time as changes occur) of persons authorized to act on behalf of Employer for the purpose of transmitting contributions and instructions to the Service Provider.

**7. Distributions.** At the direction of the HSA Owner, Service Provider shall make distributions in the form designated by the HSA Owner and permitted by the HSA Plan.

**8. Inquiries and Requests.** Service Provider shall designate a contact to be responsible for responding to all inquiries and requests made by HSA Owners or by the Employer with respect to HSAs.

9. **Resignations.** If at any time Service Provider resigns as Trustee with respect to any or all HSAs, Service Provider may at least 60 days prior to such resignation give Employer written notice and Employer shall promptly distribute such notice to all affected HSA Owners as provided in the HSA Plan and in a form and content satisfactory to the Trustee. Trustee shall continue to perform such duties and obligations and to exercise its rights with respect to such HSAs until its resignation takes effect and the HSA assets have been transferred to a successor Custodian or Trustee.

10. **Representations of Authority.** The undersigned hereby represents and warrants that he or she has been duly authorized by the Board of Directors of Employer to sign this agreement.

11. **Amendment and Termination.** This Agreement may be amended by written agreement of the parties at any time. This Agreement shall continue in effect unless or until terminated by either party upon 60 days' written notice to the other party.

12. **Notices.** Notices to the Service Provider shall be directed and mailed as follows:

Wells Fargo Health Benefit Services  
P.O. Box 45600  
Salt Lake City, UT 84145-0600  
Attn: HBS Transition

Notices to Employer shall be directed and mailed as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

13. **Service Provider.** Service Provider is authorized to accept directions and/or data transmitted to the Service Provider through the following means by authorized representatives, including duly appointed third parties, of the Account listed below.

13.1 **Facsimile Transmissions.** The Service Provider is authorized to act on written direction conveyed by facsimile transmission, notwithstanding the fact that such direction does not bear an original authorized signature, provided the direction acted upon: (i) appears to be signed by a person(s) entitled to give binding instructions to the Service Provider, and (ii) is consistent with the established authority of such person(s).

13.2 **Electronic Direction/Data Transmissions.** The Service Provider is authorized to act on written directions or data transmissions conveyed by electronic mail or other electronic means notwithstanding the fact that such directions or data do not bear an authorized signature, provided the directions or data acted upon: (i) appear to have been sent from the computer of a person(s), or by a person(s), entitled to give binding directions to the Service Provider, and (ii) are consistent with the established authority of such person(s).

13.3 **Acknowledgement.** The undersigned acknowledges its responsibility for the accuracy and completeness of the facsimile, electronic direction and electronic data transmissions it submits to the Service Provider, including facsimile or electronic direction/data transmissions from duly appointed third party agents, and is solely responsible for any adverse consequences that may result from errors or inaccuracies caused by the quality of such facsimile or electronic direction/data transmissions. The Service Provider may fully rely on any facsimile or electronic direction/data transmission received, and shall have no obligation to review it or verify its accuracy.

The undersigned understands the risk associated with communicating time sensitive matters, such as trade directions, by facsimile or electronic means and acknowledges that, if it elects to do so, the Service Provider will act within a reasonable time of receipt of the facsimile or electronic direction/data transmission by the person(s) to whom it was sent.

The undersigned further acknowledges that directions and data provided under this agreement may be less confidential than directions and data transmitted by other methods. The Service Provider shall not be liable for any loss of the confidentiality of directions and data prior to receipt by the Service Provider.

13.4 **Indemnity.** The undersigned, as qualified representative of the Account, agrees to indemnify and hold harmless Service Provider, its agents, affiliates, successors and assigns from and against any liability, claim, loss or expense it may directly or indirectly incur as a result of its good faith efforts in following facsimile or electronic direction/data transmissions and/or any action or inaction of the Service Provider based on such facsimile or electronic direction/data transmissions received from authorized parties, including duly appointed third parties, regarding this Account. This authorization shall continue in effect until revoked or amended in a writing delivered to the Service Provider. However, the indemnity for any actions taken by the Service Provider based on facsimile or electronic direction/data transmissions received while this agreement was in effect shall survive the cancellation of this agreement and the termination of the Account.

14. **Dispute Resolution.** The parties shall cooperate in good faith to resolve any and all disputes (each, a "Dispute") that may arise under or in connection with this Agreement. The existence or resolution of any Dispute as to a matter shall not reduce or otherwise affect the payment or performance by Employer or Custodian of their obligations under this Agreement as to any other matter, unless pursuant to the terms of any such resolution. Employer and Service Provider shall attempt in good faith to resolve any Dispute arising out of or relating to this Agreement promptly by negotiation between executives who have authority to settle the controversy and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement. Either party may give the other party written notice of any Dispute not resolved in the normal course of business. Within fifteen (15) days after delivery of the notice, the receiving party shall submit to the other party a written response. The notice(s) and the response(s) shall each include (i) a statement of each party's position and a summary of arguments supporting that position, and (ii) the name and title of the executive who will represent that party and of any other person who will accompany the executive. Within thirty (30) days after delivery of the disputing party's notice(s), the executives of the parties subject to the dispute shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary to attempt to resolve the Dispute. All reasonable requests for information made by one party to the other will be honored. If the matter has not been resolved within sixty (60) days of the disputing party's notice, or if the parties fail to meet within thirty (30) days, either Party may submit the controversy or claim for arbitration in the manner set forth in Section 15.

15. **Arbitration.** If the parties are unable to resolve any Dispute as contemplated by Section 14 of this Agreement, such Dispute shall be resolved by binding arbitration in accordance with the terms of this Section as set forth below. Any party may by summary proceedings, bring an action in court to compel arbitration of a Dispute. Any party who fails or refuses to submit to arbitration following a lawful demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any Dispute.

**15.1 Governing Rules.** Arbitration proceedings shall be administered by the American Arbitration Association (“AAA”) or such other administrator as the parties shall mutually agree upon. Arbitration shall be conducted in accordance with the AAA Commercial Arbitration Rules. If there is any inconsistency between the terms hereof and any such rules, the terms and procedures set forth herein shall control. All Disputes submitted to arbitration shall be resolved in accordance with the Federal Arbitration Act (Title 9 of the United States Code). The arbitration shall be conducted at a location in Minnesota selected by the AAA or other administrator. All statutes of limitation applicable to any Dispute shall apply to any arbitration proceeding. All discovery activities shall be expressly limited to matters directly relevant to the Dispute being arbitrated. Judgment upon any award rendered in an arbitration may be entered in any court having jurisdiction; provided however, that nothing contained herein shall be deemed to be a waiver, by any party that is a bank, of the protections afforded to it under 12 U.S.C. §91or any similar applicable state law.

**15.2 No Waiver; Provisional Remedies.** No provision hereof shall limit the right of any party to obtain provisional or ancillary remedies, including without limitation injunctive relief, attachment or the appointment of a receiver, from a court of competent jurisdiction before, after or during the pendency of any arbitration or other proceeding. The exercise of any such remedy shall not waive the right of any party to compel arbitration or reference hereunder.

**15.3 Arbitrator Qualifications and Powers; Awards.** Arbitrators must be active members of the Minnesota State Bar or retired judges of the state or federal judiciary of Minnesota, with expertise in the substantive laws applicable to the subject matter of the Dispute. Each party shall select an arbitrator, and each party's selected arbitrator shall then choose the presiding arbitrator. Arbitrators are empowered to resolve Disputes by summary rulings in response to motions filed prior to the final arbitration hearing. Arbitrators (i) shall resolve all Disputes in accordance with the substantive law of the state of Minnesota, (ii) may grant any remedy or relief that a court of the state of Minnesota could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award, and (iii) shall have the power to award recovery of all costs and fees, to impose sanctions and to take such other actions as they deem necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Minnesota Rules of Civil Procedure or other applicable law. Any dispute in which the amount in controversy is \$5,000,000 or less shall be decided by a single arbitrator who shall not render an award of greater than \$5,000,000 (including damages, costs, fees and expenses). By submission to a single arbitrator, each party expressly waives any right or claim to recover more than \$5,000,000. Any Dispute in which the amount in controversy exceeds \$5,000,000 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations.

**15.4 Judicial Review.** Notwithstanding anything herein to the contrary, in any arbitration in which the amount in controversy exceeds \$5,000,000, the arbitrators shall be required to make specific, written findings of fact and conclusions of law. In such arbitrations (i) the arbitrators shall not have the power to make any award which is not supported by substantial evidence or which is based on legal error, (ii) an award shall not be binding upon the parties unless the findings of fact are supported by substantial evidence and the conclusions of law are not erroneous under the substantive law of the state of Minnesota, and (iii) the parties shall have in addition to the grounds referred to in the Federal Arbitration Act for vacating, modifying or correcting an award, the right to judicial review of (A) whether the findings of fact rendered by the arbitrators are supported by substantial evidence, and (B) whether the conclusions of law are erroneous under the substantive law of the state of Minnesota. Judgment confirming an award in such a proceeding may be entered only if a court determines the award is supported by substantial evidence and not based on legal error under the substantive law of the state of Minnesota.

**15.5 Damages.** The arbitrator(s) will have no authority to award punitive or other damages not measured by the prevailing party’s actual damages, except as may be required by statute. The arbitrator(s) shall not award consequential damages in any arbitration initiated under this Section. Any award in an arbitration under this Section shall be limited to monetary damages and shall include no injunction or direction to any party other than the direction to pay a monetary amount.

**15.6 Miscellaneous.** To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the Dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business, by applicable law or regulation, or to the extent necessary to exercise any judicial review rights set forth herein. This arbitration provision shall survive termination, amendment or expiration of this Agreement or any relationship between the parties.

**16. Governing Law.** Except to the extent that federal tax laws apply or as otherwise specifically set forth in Section 16, this Agreement and all transactions hereunder shall be governed by and construed in accordance with the laws of the State of Minnesota.

**17. Resolution of Conflict.** If there are any conflicting provisions between this Agreement and the HSA Plan with respect to which the Service Provider is a party, the terms of the HSA Plan shall prevail.

**18. Assign ability.** Employer may not assign its interest in this Agreement to any other person, except as expressly consented to in writing by Service Provider.

**19. Invalidity.** If any provision of this Agreement shall be held invalid or unenforceable, such holding shall not affect the validity or enforceability of any other provisions thereof, all of which other provisions shall in such case remain in full force and effect.

**20. Binding Effect.** This Agreement shall be binding on the successors of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first written above.

EMPLOYER	SERVICE PROVIDER Wells Fargo Bank, National Association
By	By
Title	Title



# Health Savings Account (HSA) Authorized Signature List

The persons listed below are authorized by your company to provide direction to Wells Fargo regarding your company's HSA plan.

Company Information	
Company Name	Date

List		
Name	Title	Signature

The \_\_\_\_\_ signatures written above are the signatures of the person holding the title(s) indicated.

\_\_\_\_\_  
Signature of Authorized Official

\_\_\_\_\_  
Name of Company or Institution

\_\_\_\_\_  
Date



# An Employer's Step by Step Guide: Setting Up Payroll Deductions



One of the benefits of a Health Savings Account (HSA) is the ability to contribute to the account with pre-tax dollars, just like a 401(k). This can be accomplished by allowing employees to make contributions via the employer's payroll system.

Whether your payroll is processed in house or by a payroll vendor, Wells Fargo will work with you or your payroll vendor to ensure contributions are processed in a timely and accurate manner. Because of its efficiency and speed, we prefer contributions be provided by ACH. However, we will also accept contributions by wire and as checks or money orders.

**The process is simple. Just follow the steps below.**

- Step 1:** During the HSA enrollment process, have your employees fill out and turn in your employer approved payroll deduction form.
- Step 2:** Provide Wells Fargo with your scheduled payroll cycle.
- Step 3:** Provide Wells Fargo with name of contacts who will submit payrolls as well as serve as the contact for any payroll questions. This person(s) will be responsible for installing and using encryption software to submit payrolls to Wells Fargo.
- Step 4:** At least two days before the scheduled contribution, provide Wells Fargo with a file detailing all contribution activity for both employee and employer contributions. Contributions by check should accompany the payroll file.
- Step 5:** Send contributions to Wells Fargo on the scheduled payroll date. Use the delivery instructions below. **You can ask your Wells Fargo relationship manager for your company's SEI account number.**

**ACH:**

Attn: Wells Fargo Bank, N.A.  
Routing Transit Number: 091000019  
Beneficiary Account Number: 0000840245 (*Acct. number must be 10 digits*)  
FFC: SEI Account #, SEI Account Name  
Reference: Employer Name

**Wire:**

Attn: Wells Fargo Bank, N.A.  
Routing Transit Number: 121000248  
Beneficiary Account Number: 0000840245 (*Acct. number must be 10 digits*)  
Beneficiary Account Name: Trust Wire Clearing  
FFC: SEI Account #, SEI Account Name  
Reference: Employer Name

**Check/Money Order:**

Make checks payable to: Wells Fargo Bank N.A.  
Mail checks to:  
Wells Fargo Health Benefit Services  
NW 5613  
P.O. Box 1450  
Minneapolis, MN 55485-5613

- Step 6:** Wells Fargo will process the contributions and supply you with a monthly report detailing contribution and payroll activity.
- Step 7:** Process complete.



# Frequently Asked Questions about Health Savings Accounts (HSAs)

An HSA is a tax-advantaged health savings account that allows employees to set aside money to pay for eligible out-of-pocket health care expenses now or in the future.

The following are frequently asked questions and answers about HSAs and how they work for your employees. This list is not intended to be exhaustive. If you have specific questions, please visit our Web site at [www.wfhbs.com/healthnet](http://www.wfhbs.com/healthnet) or call us at 866-631-1301.

## Eligibility

### Who is eligible to open an HSA?

To be eligible to make a tax-deductible contribution to an HSA, an employee must be enrolled in an HSA compatible high deductible health plan (HDHP).

- A HDHP is a comprehensive health plan with an annual deductible of at least \$1,050 for an individual and \$2,100 for two or more family members. The annual out-of-pocket expenses in the HDHP cannot exceed \$5,250 for an individual and \$10,500 for a family (amounts indexed annually for inflation).
- An employee cannot have any other health insurance coverage that is not subject to the HDHP limits.
- An employee cannot be enrolled in Medicare or be a dependent on another person's tax return.
- An employee cannot have received VA medical benefits at any time over the past three months.

### What types of insurance and other coverage can an employee have and still be eligible to take advantage of an HSA?

Permitted insurance includes worker's compensation, property insurance, insurance for a specific disease (such as cancer coverage), insurance that pays a fixed amount per day of hospitalization, dental, vision, long-term care, and accidents and disability.

### When is eligibility determined?

The law requires that an individual's eligibility be determined on the first day of each month. Even if an individual loses the ability to make additional contributions to an HSA, the funds can remain in the trust accumulating tax-free\* earnings and be used to pay qualified healthcare expenses on a tax-free basis.

*\* All tax references are for federal taxes only. State taxes vary. Employees should consult with their tax advisor.*

### If an employee quits, changes jobs, changes health plans or moves, does he or she lose the money in the account?

No. The HSA balance, including employee contributions as well as those from the employer, is the employee's to keep.

- No vesting requirements or forfeiture provisions for employer contributions apply.
- HSAs are not subject to COBRA continuation coverage.

### What happens when an employee enrolls in Medicare?

When an employee enrolls in Medicare, he or she can no longer make contributions to an HSA. The employee can use the money in the HSA to pay Medicare premiums, out-of-pocket expenses or the employee share of premiums for employer-based health insurance. The employee cannot use the money to pay Medigap premiums without federal tax consequences.

## Contributions

### How can contributions be credited to an employee's HSA?

An HSA can receive contributions from the employee and/or employer.

#### Employee contributions

- HSAs are compatible with cafeteria plans, so your employees can have set contribution amounts deducted from their paychecks on a pre-tax basis.
- An employee can make contributions of any amount at any time, up to the maximum limit.
- Any person can contribute to an employee's account on the employee's behalf and the employee can still deduct the contributions.

## Employer contributions

- Employers may voluntarily choose to make contributions.
- Employer contributions to HSAs must be “comparable” for all employees participating in the HSA plan. This means contributions must be the same amount for all employees or the same percentage of the annual deductible.
- If not comparable, there will be an excise tax equal to 35 percent of the amount the employer contributed to employees’ HSAs.
- Employers only need to count employees who are eligible individuals covered by the employer and who have the “same category of coverage” (i.e., self-only or family).
- Part-time employees are treated separately.

## What are the contribution limits?

There is a minimum contribution of \$100 to open an HSA, if the account holder does not use payroll deduction. Yearly maximum contribution levels are set by the federal government. For 2006, employees and/or employers can contribute up to either the amount of the plan deductible or \$2,700 for an individual or \$5,450 for a family, whichever is less.

- Contribution maximums are based upon the number of months that an employee is eligible to make an HSA contribution. For example, if an employee’s annual deductible is \$1,200, he or she can contribute \$100 for each month in the calendar year that he or she is enrolled. If the employee is eligible to make a contribution for three months, then the contribution limit would be \$300. This contribution can be made at anytime during the year up to as late as April 15th of the next year.
- Employees age 55 and older can make an additional catch-up contribution of \$700 in 2006, which increases \$100 each year until it reaches \$1,000 in 2009.
- Contributions must be made in cash; i.e., they are not accepted in the form of stock or other property, except in the case of rollovers from Archer MSAs or other HSAs.

## Can both the employee and a spouse establish HSAs?

Yes. If both the employee and a spouse individually meet the criteria for making an HSA contribution, they can both make HSA contributions. However, if the employee and

spouse are covered by the same family coverage, they will need to allocate the HSA contribution limit between the two of them. If the employee and spouse have separate health insurance coverage, then each will need to calculate his or her own HSA limit and open separate HSAs.

## What is the deadline for making contributions?

For calendar-year taxpayers, the deadline for contributions to an HSA is generally April 15 following the year for which the contributions are made. Although the annual contribution is determined monthly, the maximum contribution may be made on the first day of the year.

## Are employees required to use the balance in their accounts by the end of the year?

No. The account balance rolls over from year to year, along with any investment earnings.

## Investments

### What funds are available for investing?

Wells Fargo offers a variety of investment funds, ranging from conservative to more aggressive. If an employee does not make an investment election, the account will be invested in the most conservative fund.

### When do employees make their investment fund elections?

Once the account is activated, employees can make their investment fund elections online or by calling their HSA customer service number. Employees will receive a welcome letter in the mail within seven to 10 business days, which will include their Personal Identification Number (PIN) for accessing the HSA Web site, and instructions for making fund elections.

### Can employees change their investment fund elections?

Employees can change their investment fund elections at any time by visiting the Wells Fargo HSA Web site or calling customer service. Changes requested before 3 p.m. CST are generally made on the same business day. Changes requested after 3 p.m. CST are generally made on the following business day. Changes are only made on days when the financial markets are open. There is no guarantee that a change will be made at a specific time.

# Paying for health care expenses

## What is a qualified health care expense?

The money in an HSA can be used for co-pays and deductibles at doctors, pharmacies, medical labs, dentists and orthodontists, medical supply stores, chiropractors, hospitals, vision centers, podiatrists and more.

Employees can also use HSA funds for eyeglasses and contact lenses, mail order prescriptions, online prescriptions and eligible over-the-counter (OTC) medications, and bills from providers for "Patient Balance Due" amount.

For a complete list of IRS-allowable health care expenses, visit the Wells Fargo HSA Web site and choose IRS — Health Care Publication 502 under "HSA Links."

## What about preventive health care expenses?

To encourage employees to seek preventive care, your insurance provider's HDHP may offer coverage for preventive care such as routine physicals and screenings. This means preventive care services may not apply to the employee's deductible. Review your HDHP documentation for more specific information.

## Do the qualified expenses have to be incurred by the employee?

No. Health care expenses can be for the employee, a spouse or dependent children. A spouse and dependents do not need to be covered by the same high deductible health plan.

## Can an employer limit HSA-eligible expenses?

No. Even if you make employer contributions, all qualified health care expenses are eligible for reimbursement.

## Can an employee use the money in an HSA to pay health care insurance premiums?

Generally, employees cannot use an HSA to pay premiums for health insurance coverage. Exceptions include COBRA premiums, long-term care premiums or premium payments that allow an employee to retain health coverage while receiving unemployment compensation.

## Does an employee have to use the money in his or her HSA to pay health care expenses or can he or she pay for them with other funds?

The HSA is designed to give employees more control and more responsibility for their health care choices and dollars. The employee chooses whether to pay health care expenses from the account or to save the money in the account for future health care expenses.

## What process do employees use to pay or be reimbursed for health care expenses?

Employees can use the Wells Fargo Health Savings Account Visa® debit card to pay for qualified health care expenses. Here's how the card works:

- The Health Savings Account Visa debit card is a debit card, which means if the employee has \$200 in his or her account, he or she will have \$200 on the card available to spend on qualified health care expenses.
- When the employee picks up a prescription or needs to pay for other qualified health care expenses, he or she may use the Health Savings Account Visa debit card. The card works at all eligible providers that accept the Visa debit card.
- To ensure that all of their health insurance providers' reductions are applied to providers' charges, employees may want to use their cards to pay the balances due on their providers' final invoices rather than at the time of their appointments.

If employees choose not to use the Wells Fargo Health Saving Account Visa debit card, they may submit a **Reimbursement Request Form** by mail or toll-free fax and be promptly reimbursed within four business days.

This and other forms are available online at [www.wfhbs.com/healthnet](http://www.wfhbs.com/healthnet).

# Taxes

## How are contributions treated for tax purposes?

Employee contributions to an HSA are federal tax-deductible, even if the individual does not itemize deductions.

- Any contributions made by the employer are tax-free (i.e., not reported as income) at the federal level.
- All investment earnings that accrue in the HSA are tax-free for the employee on his or her federal tax return.

## **Will the employee pay taxes on the money withdrawn from an HSA?**

Money withdrawn from an HSA is tax-free as long as it is used to pay for any qualified health care expense.

- The employee must keep supporting receipts and records to show the Internal Revenue Service whether he or she used the funds to pay qualified health care expenses.
- If the money is used for anything other than a qualified health care expense, the employee will be required to pay income tax and a 10 percent additional tax on that amount, unless he or she is disabled or 65 or older. An employee will need to include that amount as regular income when filing taxes.

## **Are there any tax benefits for employers?**

Yes. If employee contributions to an HSA are funded through the employer's cafeteria plan, the employer will benefit from payroll tax savings. For employees who earn less than the Social Security wage base, the savings is 7.65 percent of their contribution, and for those over the wage base, the savings is 1.45 percent.

administrator to manage HSAs for eligible employees. Wells Fargo is one of the largest, strongest and most highly recognized financial service companies in the nation, serving more than 23 million customers. It is the only "Aaa" rated bank (the highest credit ranking given by Moody's) in the United States, based on financial strength, long-term debt and issuer-rating.

## **Reporting requirements**

### **Do employers need to determine whether HSA distributions are used exclusively for qualified health care expenses?**

No. It is the employee's responsibility to maintain records of expenses to show that the distributions have been made exclusively for qualified health care expenses.

### **What reporting is required from employers?**

Employers must report contributions to an HSA on the employee's Form W-2. The IRS is releasing forms and instructions on how to report HSA contributions, deductions and distributions.

### **Is an HSA an ERISA program?**

No. Even if an employer contributes to the plan and offers payroll deductions through a cafeteria plan, the Department of Labor has clarified that an HSA is not an ERISA program. This status holds as long as the plan is completely voluntary, the employer does not impose conditions on the use of funds, does not make or influence investment choices, does not represent that the HSAs are an employee welfare benefit plan under ERISA, does not limit an employee's ability to move HSA funds to another HSA and does not accept any payment or compensation in connection with an HSA.

## **Account management**

### **How do employees track the balances in their accounts or access other account information?**

Employees can access account information 24 hours a day, seven days a week at the Wells Fargo HSA Web site where they can view account balances and information, change investment options, process transactions, download forms and link to a sample list of covered expenses.

- Wells Fargo also offers an automated toll-free telephone service and personal assistance from customer service representatives between 7 a.m. to 8 p.m. CST Monday – Friday, at this number: 866-631-1301.
- Employees also receive personalized reports in the mail on a quarterly basis.

### **What is the employer's relationship with Wells Fargo?**

Federal law requires that contributions be deposited with a qualified trustee or custodian. Wells Fargo is a qualified trustee that serves as an employer's preferred

## **Fees**

### **Are there administrative fees associated with an HSA?**

There are no set-up fees, transaction fees or change fees. Wells Fargo, the HSA administrator, will assess a monthly account administration fee to all individuals enrolled in the HSA. As an employer, you may choose to pay this monthly fee for your employees. This fee covers:

- Two debit cards;
- Processing of reimbursement requests;
- Online account management and customer service.

### **How does the payment of fees affect the maximum annual account contribution for an employee?**

If the monthly account administrative fee is withdrawn from the employee's HSA, the withdrawn amount does **not** increase the maximum contribution limit.

- For example, if the maximum contribution limit for an employee is \$2,000, and \$45 in annual administration fees are withdrawn from the employee's HSA, the limit is still \$2,000, not \$2,045.
- If the employer pays the monthly account administrative fees, the fees are not considered contributions to the HSA. For example, if an employee contributes the maximum annual amount to his or her HSA of \$2,000 and the employer pays \$45 in annual administrative fees directly to Wells Fargo, the individual's maximum annual contribution limit is not affected by the payment of the fee.

- With an FSA, employees must use all of the funds in the account by the end of the year or forfeit them — “use it or lose it.”
- Flexible spending accounts allow pre-tax dollars to be used for dependent care expenses and other routine health care items that are not covered by an HSA.

### **Can employees have both an HSA and an FSA or an HRA?**

Yes, however, the Internal Revenue Service has set some restrictions. Generally, to be eligible to contribute to an HSA, an employee cannot be covered by another health plan that is not an HDHP. Because FSAs and HRAs are considered health plans, FSAs and HRAs generally may not be combined with an HSA. There are some exceptions, however:

- A limited-use FSA or HRA that allows for reimbursement of dental, vision, and preventive care services can be combined with an HSA because these are permitted coverages allowed outside of the minimum deductible requirement for the HSA-qualified HDHP.
- Employees can also still be eligible for an HSA if they have (1) a post-deductible FSA or HRA that only provides reimbursement after the minimum annual deductible has been satisfied, (2) a suspended HRA under which the employee has elected not to have the HRA pay or reimburse medical expenses other than in the permitted coverage categories, or (3) a retirement HRA that only provides reimbursement after the employee has retired.

## **Rollovers and coordination with other accounts**

### **Are rollover contributions permitted?**

Rollover contributions from medical savings accounts (MSAs) and other HSAs into an HSA are permitted.

- Rollover contributions are not subject to the annual contribution limits.
- Rollovers from an IRA, a health reimbursement arrangement (HRA) or a flexible spending account (FSA) are not permitted.

### **How is an HSA different from a flexible spending account (FSA)?**

With a flexible spending account, employees also make pre-tax contributions to pay for health care expenses. However, there are several differences.

- Employees do not earn interest on the money in an FSA.

### **What if an employee currently has an Archer Medical Savings Account (MSA)?**

An employee doesn't lose an existing MSA. It will continue to be available to pay qualified medical expenses. However, HSAs were created with the passage of the Medicare Prescription Drug, Improvement and Modernization Act in December 2003, to replace MSAs. While an employee can no longer establish a new MSA, he or she can still make contributions to an existing MSA and take qualified disbursements as long as the employee is covered by an MSA-eligible insurance plan. Employees may want to consider rolling over their MSA funds to an HSA to take advantage of an HSA's greater flexibility.





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