

Aetna HealthFund® Health Savings Account Plan

Common questions about the Aetna HealthFund Health Savings Account (HSA) plan ... with answers to help you understand how the plan works.

General Information

Q: What is a Health Savings Account (HSA)?

A: An HSA is a special, tax-advantaged* account — meaning money goes in tax free, earns interest tax free and is not taxed when it's withdrawn to pay for qualified expenses.

- You, your employer, or an eligible family member — or any combination — may make contributions to your HSA.
- Your HSA dollars earn interest, tax free.
- At the end of the year, any money remaining in your HSA rolls over to the next year.
- You own your HSA, so you keep the funds even if you change jobs or health plans.
- You can withdraw money directly from your HSA using your Aetna[‡] HSA debit card or checks to cover qualified expenses. Or, allow the account to grow over time and use it to help pay for future health-related expenses — like long-term care insurance premiums, COBRA premiums and certain retiree expenses.

Q: Is there an annual "cap" or maximum amount that may be contributed to my HSA?

A: Annual HSA contributions are limited to your Aetna HealthFund HSA plan's annual deductible (determined by your employer), or a maximum amount permitted by the IRS, whichever is less. For 2005, the IRS limit is \$2,650 for an individual and \$5,250 for a family; these limits increase based on inflation in future years. If you participate for less than the entire taxable year, the limit is prorated on a monthly basis.

Individuals age 55 and over may make an additional "catch-up" contribution of \$600 per year in 2005 (this amount increases \$100 per year until 2009 when it will be \$1,000).

*Employers and employees should consult with their tax advisor to determine eligibility requirements and tax advantages for participating in the HSA plan. Certain state taxes may apply.

[‡]Aetna is the brand name used for products and services provided by one or more of the Aetna group of subsidiary companies. Aetna HealthFund HSA plans are underwritten or administered by Aetna Life Insurance Company.

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Q: Who is eligible to fund an HSA?

A: To fund an HSA, you must be covered by a "high-deductible" health plan (a deductible of at least \$1,000 for individuals and \$2,000 for families* — adjusted each year for inflation). You cannot be covered under another health insurance plan (including your spouse's plan) that is NOT a "high-deductible" plan. You may not contribute any more money to your HSA once you are enrolled in Medicare.

HSA Advantages

Q: What happens to any remaining money in my HSA at the end of the year?

A: At the end of the year, any money remaining carries over to the next year.

Q: Are contributions to my HSA tax deductible or not tax deductible?

A: If your contributions are made as part of your annual health benefits election and submitted as part of payroll deduction, then those contributions may not be included in your income. Other contributions you make to your HSA can be deducted from your income when you file your annual federal income tax return, even if you do not itemize deductions.

Note: Check with your employer and/or tax advisor for details about how contributions are made to the plan.

Q: Does the money in my HSA earn interest?

A: Yes — your HSA can grow over time! Interest earned on your HSA account is not included in your income for federal tax purposes. There is no minimum balance required to earn interest.

In addition, once your HSA balance reaches \$2,000, you may have HSA investments service available to you.

Q: What happens to my HSA if I leave my health plan or job?

A: You own your account, so you keep your HSA, even if you change health plans or jobs. We can continue to administer your HSA account if you choose. If you no longer are enrolled in a high-deductible health plan, you are not eligible to make new contributions to your HSA, but you do not lose your balance and you can continue to withdraw funds for qualified expenses.

Frequently Asked Questions

Q: What are the survivor benefits associated with my HSA?

A: You may arrange to have your HSA transfer to your surviving spouse tax free. Otherwise, your HSA balance becomes part of your estate in the event of your death.

Setting Up Your HSA

Q: How do I contribute to my HSA?

A: Your employer's benefit plan may allow you to make periodic contributions to your HSA as part of your annual benefits election. Otherwise, you may contribute to your account through after-tax payroll deductions (if applicable), automatic deductions from your bank account, or by check or money order. You may make a lump sum contribution at any time, in any amount up to the maximum limit. If you do not fund up to your permitted limit in any year, you have until April 15 of the following year to complete your HSA contributions for that year.

Q: When will contributions to my account be available for withdrawal?

A: HSA contributions will be available for withdrawal when funds are deposited. HSA contributions made by payroll deduction are pro-rated over the course of the plan year based on payroll schedules. HSA contributions may also be made on a lump sum basis at any time during the plan year. The availability of funds is dependent upon how funds are contributed (payroll deduction or periodic, lump sum contributions) and varies by individual.

Q: How do I withdraw money from my HSA?

A: Once you've made contributions to your account, you can then use your Aetna HSA debit card or checks to get instant access to your HSA dollars to pay for qualified out-of-pocket expenses quickly and easily. Use your HSA debit card or checks, not your cash.

We want you to knowSM
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Using Your HSA

Q: How does the Aetna HealthFund HSA plan work?

A: To understand how the insurance plan works, let's review its components.

The Health Savings Account

- Start by making a contribution. There is no minimum amount required, but there is an annual maximum.
- When you have a qualified expense (e.g. doctor visit, prescription refill), you may withdraw money from your HSA, tax free, to be reimbursed for this out-of-pocket expense, including what you pay toward the deductible. Or, when you have a claim, you can choose to pay from other funds and allow your HSA to grow over time and use it for future health-related expenses.
- Any unused dollars roll over year after year.
- You own your HSA, so you keep it even if you change health plans or jobs.
- Fund the HSA every year when you are eligible to do so. This will lower your taxes and help you build a larger savings for future health care expenses.

The Medical and Prescription Drug Plan

In addition to the HSA, your Aetna HealthFund HSA plan provides traditional health benefits after you have met your deductible. You can seek care from any licensed health care professional or hospital for covered services — without a referral.

- **Preventive Benefits.** The plan typically includes preventive care coverage (for routine physicals, immunizations and screenings) — not subject to the deductible — to encourage you to receive these important services.
- **The Deductible.** The plan includes an annual deductible — the amount you pay out of pocket before the medical coverage begins payment for qualified expenses other than preventive services.

- **Medical Coverage.** When the deductible is met, the medical coverage (usually with a percentage cost-sharing) begins for covered expenses. The medical plan also includes an annual out-of-pocket maximum to limit the amount you pay out of pocket in a given year — meaning once you reach the maximum, the plan pays 100 percent of your covered medical expenses for the remainder of the year.

- **Prescription Drug Coverage.** When you fill a prescription, you will pay the cost of the prescription until the deductible has been met. With Aetna participating pharmacies, your prescription drug price may be lower because we have negotiated pricing on behalf of our members. Once the deductible has been met, you may pay either a copayment or coinsurance for each prescription you fill that is covered under your plan. Refer to your Plan Design and Benefits summary for additional details.

Q: What expenses can I pay for with my HSA?

A: Your HSA can be used to pay for most "qualified expenses," as defined by IRS Code 213(d). These expenses include, but are not limited to, medical plan deductibles, diagnostic services covered by your plan, health insurance premiums if you are receiving federal unemployment compensation, over-the-counter drugs, LASIK eye surgery and some nursing services. You can review a list of allowable expenses on our Aetna Navigator™ website or request a copy of IRS Publication 502 by calling 1-800-829-3676, or by visiting the IRS website at www.irs.gov and clicking on "Forms and Publications."

You can also use your HSA funds to pay premiums for COBRA continuation coverage or other health coverage if you are receiving federal or state unemployment insurance. When you become age 65, you can use the account to purchase any health

insurance other than a Medigap policy. You may not, however, continue to make contributions to your HSA once you are enrolled in Medicare.

Remember to keep receipts for your HSA purchases to show that you used your HSA funds for qualified expenses. If you are audited and your HSA expenses are questioned, your receipts provide the best proof. Under HSA regulations, you are responsible for determining which expenses are considered "qualified expenses." Please consult your tax advisor for guidance.

Q: Can I use my HSA to pay for non-health-related expenses?

A: Yes. You may withdraw money from your HSA for items other than qualified expenses, but it will be subject to income tax (unless you are age 65 or disabled) and an additional 10 percent penalty tax on the amount withdrawn.

Q: How can I keep track of my HSA balance?

A: There are several ways to check your HSA balance:

- You can check your HSA balance online, without incurring a transaction fee, using Aetna Navigator. Or you can request to receive a monthly paper statement.
- You can use an ATM to check your HSA balance. (Note: You may incur an ATM balance inquiry fee.)
- You can call Aetna customer service as directed on your HSA debit card.

Learn More

Q: How can I learn more about Aetna HealthFund HSA?

A: There are several ways.

- Speak with your human resources representative.
- Read the information in your enrollment kit.
- Visit the secure Aetna Navigator site during enrollment to see the resources and information available to you when you enroll.

If you need this material translated into another language, please call Member Services at 1-888-98-AETNA (1-888-982-3862).

Si usted necesita este documento en otro idioma, por favor llame a Servicios al Miembro 1-888-98-AETNA (1-888-982-3862).

Features of this plan may vary based on the specific terms established by your employer. Please read your benefits materials carefully. Health Savings Accounts are not insured benefits. Fees and credited interest rates are subject to change.

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Aetna HealthFund HSA may not be available in all states. With the exception of the Aetna Rx Home Delivery® service, participating providers are independent contractors in private practice and are neither employees nor agents of Aetna or its affiliates. The availability of any particular provider cannot be guaranteed, and provider network composition is subject to change.

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While this material is believed to be accurate as of the print date, it is subject to change. Health insurance plans contain exclusions and some benefits are subject to limitations or visit maximums.