

STERLING HSA "HOW-TO" GUIDE

WE MAKE
THE COMPLEX
SIMPLE

ANSWERS TO KEY QUESTIONS ABOUT HEALTH SAVINGS ACCOUNTS AND STERLING HSA ADMINISTRATION SERVICES

IN WHAT FORM CAN YOU TAKE DISTRIBUTIONS FROM YOUR HSA?

There are four ways to take distributions:

- Ask Sterling to pay your medical bills to your provider and/or to yourself if you paid the bill directly using a disbursement form available at www.sterlingadministration.com.
- Use your debit card (if you requested one).
- Move funds to your checking or savings account online. You must have registered your account for online access to do this.
- Request a wire transfer.

WHAT KIND OF STATEMENTS WILL YOU RECEIVE IN CONNECTION WITH YOUR HSA?

Sterling will send you a quarterly statement showing activity in your HSA account. In addition, you can check your account balance and activity at any time after you have registered online at www.sterlingadministration.com.

ARE STERLING DEBIT CARDS AUTOMATICALLY ISSUED WHEN AN HSA IS ESTABLISHED?

No. Debit cards are optional and not sent unless requested during enrollment (online or using a paper application).

I HAVE REQUESTED A STERLING DEBIT CARD. WHEN WILL I RECEIVE IT?

Please allow 7-10 days from the time the application is entered into the Sterling system.

I HAVE RECEIVED MY STERLING DEBIT CARD IN THE MAIL. HOW MANY CARDS WILL I RECEIVE?

Unless otherwise requested, one Sterling debit card is issued per HSA in the accountholder's name. Additional cards need to be requested from Sterling.

HOW DO I ORDER ADDITIONAL STERLING DEBIT CARDS?

You may request additional debit cards for yourself on the User Profile page via your online account. To request cards for a spouse or dependent go to the Dependent page of your online account. Or you can complete the debit card request form available on the HSA forms page of the Sterling website at www.sterlingadministration.com and fax or mail it to the Sterling office.

WHEN I GET MY STERLING DEBIT CARDS, DO THEY REQUIRE ACTIVATION?

No. It will be activated the first time the card is used for approved payment.

WHEN I GO TO MY DOCTOR'S OFFICE, DO I TELL THEM I HAVE AN HSA?

You may, but it is not necessary. You have an HSA compatible health insurance plan that entitles you to the same provider network and discounted rates that your healthcare provider has negotiated for their members. You do have an HSA, but an HSA is a financial vehicle and telling your doctor you have one is like telling him/her that you have a 401K. However, you should show your doctor your health plan card.

WHAT DO I DO WHEN I GO TO THE DOCTOR?

- Give your health plan card (Blue Cross, Blue Shield, Aetna etc.) to your doctor.
- Your card entitles you to the same provider network and discounted rates that your health plan has negotiated for all other members.
- The doctor is contractually obligated to send your claim to your health plan to be reviewed prior to you having to pay for services rendered.
- With the possible exception of preventative care (as defined by your health plan document) you should not have to pay a co-payment while at the doctor's office until you have satisfied your deductible.
- Once your claim is reviewed by your health plan, you will receive an Explanation of Benefits (EOB) form. The EOB will show you:
 - How much the doctor billed your health plan
 - How much your health plan will pay the doctor
 - If your annual deductible has been met
 - The balance that you owe the doctor

ONCE I GET MY EOB, HOW DO I PAY THE AMOUNT DUE? YOU HAVE THREE OPTIONS:

- Use your debit card. Many doctors' invoices allow you to write in your 16-digit HSA debit card number and expiration date. You can do this by returning the EOB/invoice to your doctor. You should then fax your EOB or receipt to Sterling for scanning and archiving.
- Have Sterling pay the provider. Fax or mail the EOB to Sterling with a request for disbursement form (available on the forms page of our website at www.sterlingadministration.com) and we will pay the provider from your HSA funds directly.
- Write a personal check. Pay the provider the amount due shown on the EOB and then submit a request for disbursement and we will reimburse you directly. You may also reimburse yourself online.

You should then fax or mail in your EOB or receipt to Sterling for scanning and archiving in the event of a tax audit.

WHAT DO I DO IF MY DOCTOR REFUSES TO FILE A CLAIM WITH MY HEALTH CARRIER AND REQUIRES PAYMENT UPON SERVICE?

If a doctor is contracted with a health plan network, the doctor's contract states that he/she cannot require payment until the patient has received an Explanation of Benefits (EOB) from the health plan. The doctor's office should call your health plan customer service or broker's office if this situation arises.

WHAT IS THE NORMAL LAG TIME BETWEEN GOING TO THE DOCTOR AND HAVING THE CLAIM PAID BY STERLING?

Once Sterling receives the EOB, the payment process takes 5 business days to process. For faster reimbursement, our online banking allows funds transfer from your HSA account to your personal checking account at no charge.

HOW DO I PAY FOR PRESCRIPTION MEDICINE?

- Show your health plan card to your pharmacist to get your health plan discounted rate.
- If you did not ask at your doctor's office, you may want to ask if there is a generic equivalent to your prescription and what the cash price would be for your prescription, if you had no insurance. In some cases the cash price may be less than the discounted rate.
- The pharmacist will charge you for your prescription at the discounted rate your healthcare provider has negotiated – usually 40-60% discount. Until your annual deductible is met, there is no co-payment. You pay 100% of the negotiated price. When you meet your deductible, then your co-payments or co-insurance takes effect. Should you meet your out-of-pocket maximum for the calendar year, you should have no additional costs for prescription medication.
- To pay for your prescriptions you have several options:
 - Pay with your Sterling debit card. Then mail or fax your receipt(s) to Sterling to scan, archive and file for you in the event of an IRS audit.
 - Pay with a personal check or credit card. Go online and transfer funds into your personal checking account. Fax your EOB or receipt to Sterling for scanning and archiving.
 - Go online prior to going to the pharmacy and transfer funds from the HSA to your checking account if the negotiated rate is known. Fax or mail your EOB or receipt to Sterling for scanning and archiving.

Fax or mail your receipt(s) to Sterling along with a request for disbursement form (available at www.sterlingadministration.com) under the forms section, and we will reimburse you directly. Sterling will also scan and archive all paperwork for you and provide those files to you in the event of an IRS audit. Sterling has advised clients when a bill does not appear to conform to IRS regulations. In every case, we have followed the clients' wishes regarding payment or non-payment.

HOW DO I PAY FOR AN EXPENSE INCURRED OUTSIDE OF MY PROVIDER NETWORK?

To pay for an out-of-network expense with HSA funds, you have three options:

- Pay with a personal check or credit card. Go online and transfer funds from your HSA into your personal checking account. Fax or mail your EOB or receipt to Sterling for scanning and archiving.
- Pay with your debit card at the point of service.
- Go online prior to incurring a known expense and transfer funds from the HSA to your personal checking account etc. if the negotiated rate is known. Fax or mail your EOB or receipt to Sterling for scanning and archiving.
- Fax or mail your receipt(s) to Sterling along with a disbursement form (available at www.sterlingadministration.com) under the forms section, and we will reimburse you directly.

IF I HAVE A DOMESTIC PARTNER, CAN I CONTRIBUTE TO, OR USE MY HSA FUNDS FOR HIM/HER?

Most often this is not allowed. It is only allowed when the domestic partner meets IRS definition of a dependent. HSAs are a Federal program and as such, are covered by the Family Protection Act that does not recognize domestic partnerships even if the state of residency does. So in the state of California, for example, an employee's domestic partner could be covered under the employee's health plan, however the HSA account holder cannot use his or her HSA funds for the domestic partner's expenses (even if qualified) without being taxed and penalized. The only way for a domestic partner to be a recognized dependent for Federal tax purposes is if the partner qualifies as a legal IRS dependent. The IRS defines what constitutes a dependent for tax purposes.

CAN I SPEND MY HSA DOLLARS ON QUALIFIED EXPENSES FOR MY SPOUSE AND/OR DEPENDENTS?

Yes. Even if your dependents are not covered under your health plan you can still use your HSA dollars for qualified expenses for your spouse and/or dependent children.

WHAT HAPPENS IF I SPEND MY HSA DOLLARS ON AN EXPENSE THAT IS NOT QUALIFIED?

Reimbursement made for non-qualified expenses are subject to a 20% penalty and taxed at the account holder's tax rate. Sterling has advised clients when we have received receipts that appear to be in non-conformance with IRS regulations. However, we recognize that these accounts are the responsibility of our clients, and we execute their wishes completely.

IF I GO OUT OF NETWORK, WILL 100% OF MY EXPENSES GO TOWARDS MY DEDUCTIBLE?

Generally speaking, the portion of the out of network expense that the medical carrier allows either UCR (usual customary and reasonable) or a fee schedule is applied to the member's deductible. The member

who utilizes an out of network physician is required to pay the full amount billed. Then, the member may send a claim to the health plan to have the charge applied to the deductible. Anything over what the health plan allows is an out of pocket expense.

CAN I USE MY DEBIT CARD TO PAY FOR EXPENSES IN EXCESS OF MY CURRENT HSA BALANCE?

No. Expenses that exceed your current HSA balance cannot be paid using your Sterling debit card. The debit card is not a credit card, but rather a debit card tied to your current HSA balance. In this situation you have a couple of options:

- You pay the total cost and as contributions are deposited into your account, you reimburse yourself.
- You pay the doctor what is in your HSA and arrange for a payment plan. If you know your employer is making a contribution each month, most doctors will allow a payment plan because they know they will receive payment.

IF MY SPOUSE OR I HAVE A HEALTHCARE FLEXIBLE SPENDING ACCOUNT (FSA), CAN WE RUN ALL OF OUR MEDICAL EXPENSES THROUGH THE HEALTHCARE FSA TO MAXIMIZE OUR HSA BALANCE?

If your employer (or your spouse's employer) offers a healthcare Flexible Spending Account (FSA) then "Stacking Rules" apply. These rules depend on whether or not your employer has a "Limited Purpose or Post Deductible Limited Purpose Provision" in their healthcare FSA plan document. The "Limited Purpose or Post Deductible Limited Purpose Provision" only affects those employees with an HSA. If your employer has a "Limited Purpose or Post deductible Limited Purpose Provision" in their healthcare FSA plan document, then you can use your FSA dollars for any non-medical expenses such as dental or vision without touching your HSA funds. If the FSA has a limited purpose provision no FSA funds can be used for medical. If the FSA has a Post Deductible Limited Purpose Provision then all medical expenses must be paid using HSA funds until the minimum statutory IRS deductible has been satisfied. If you have a Post Deductible Limited Purpose FSA then once the IRS minimum statutory deductible is met, you can use FSA funds for medical expenses. If your employer does not have a "Limited Purpose or Post Deductible Limited Purpose Provision", then you may not have an HSA.

DO I HAVE TO SPEND ALL MY HSA DOLLARS EACH YEAR?

No, that is the advantage of an HSA. Any remaining HSA funds in your account whether contributed by you or your employer, rollover to the next year and continue to grow with interest tax-free on a federal basis. The taxation of HSA contributions and interest earned for state income tax purposes varies based on your state of residence. There is no time limitation as to when to take a distribution from your HSA account. You are not required to withdraw any HSA funds and at your death, your HSA funds will pass to your beneficiary.

CAN I VIEW MY ACCOUNT INFORMATION ONLINE?

- Yes. When you receive your Sterling “Welcome Letter” it will include your new HSA account number. Please make a note of this number. You will need it to register your account for online access (If you forget, just call us at 800-617-4729).
- Go to www.sterlingadministration.com and from the homepage follow the instructions for registering your account for online access. If you signed up for your HSA account online, account registration was automatic and is not required.

WHY SHOULD I DO BUSINESS WITH STERLING?

We're experts in administering health savings accounts to help our clients save money for present and future healthcare needs. We use our deep experience in health insurance to review medical bills and to make sure they pay the correct amount. If for any reason our accountholders become dissatisfied with Sterling services, we will refund to them all monthly account management fees paid, up to one year. Accountholders can choose the HSA plan type and investment vehicles that best meet their needs. We provide ongoing education and online tools to help clients get the most out of their HSA account.

For additional information, please call customer service at 800-617-4729 or email us at customer.service@sterlingadministration.com. You can also visit www.sterlingadministration.com. Thank you for choosing Sterling!