



## **Health savings account (HSA) user guide**

Owning and managing a health savings account (HSA)

# Welcome to your HSA

Your health and your money are 2 of your most important assets. Consumer Directed HealthSelect<sup>SM</sup> high-deductible health plan (HDHP), administered by Blue Cross and Blue Shield of Texas, works with your Consumer Directed HealthSelect health savings account (HSA), administered by Optum Financial<sup>®</sup>, to help you confidently manage both.

This guide is a detailed reference for managing your HSA and getting the most out of your health care dollars.

Remember, you must open an Optum Financial HSA after enrolling in the Consumer Directed HealthSelect HDHP to receive the state's monthly contribution to your HSA, if you're eligible.

# Table of contents

## **Working with Optum Financial..... 4**

<a href="http://optumbank.com">optumbank.com</a> .....	4
New account holder checklist.....	5
Customer service.....	6
HSA basics.....	7
Eligibility.....	7
Benefits of HSAs.....	8
High-deductible health plans.....	9
Example: Wayne's HSA works with his health plan.....	10

## **Opening and funding your HSA..... 11**

How to open an account.....	11
Funding your account.....	11
Employer contributions.....	12
IRA and HSA rollovers.....	12
Who can contribute.....	12
Contribution limits.....	13
Contribution tracker.....	13
Pro-rated contributions.....	13
Mid-year plan enrollment.....	14
Designating a beneficiary.....	16
Example: Martín's contributions and tax savings.....	16

## **Using your HSA..... 17**

Qualified medical expenses.....	17
Other HSA-qualified expenses.....	17
Spouse, domestic partner and dependent health care.....	18
Limited flexible spending account.....	18
Optum Financial Health Savings	

Account debit Mastercard.....	19
Lost or stolen debit Mastercard.....	19
Paying online.....	20
Obtaining a SecureCode is easy.....	20
Online banking and bill payment.....	20
Paying with checks.....	20
Mobile experience.....	21
Reimbursing yourself.....	21
Disbursement limits.....	21
Receipt Vault.....	22
Example: Robyn's visit to the doctor.....	22

## **Tax benefits and information..... 23**

Reporting to the IRS.....	23
Important forms.....	23
State tax information.....	24
Withdrawals after age 65 or upon becoming disabled.....	24

## **Growing your money..... 25**

Earnings and fees.....	25
Investment opportunities.....	25
Investment tools and information.....	25
Maintaining and redeeming investment accounts.....	26
Example: Shandra's savings grow over time.....	27
The 5 stages of health saving and spending.....	28
How you can progress to the next stage.....	28

# Working with Optum Financial

Become familiar with how your HSA works and make it a part of your plan to save and pay for health care

## An HSA paired with a qualified HDHP helps individuals and families plan, save and pay for health care

This guide is designed to help you understand the nuts and bolts of managing your HSA. You can use it as needed to find general answers about HSAs and how to manage your account with Optum Financial.

If you are a new account holder, you may want to browse this guide to become familiar with your HSA. Then, file it with your banking information and consult it as needed at important times during the year, such as Summer Enrollment or during tax-filing season.

## Manage your HSA online

You can easily manage your HSA online. Sign in to your account through [optumbank.com](https://optumbank.com) to:

- Make deposits
- See how much you have contributed to your HSA year-to-date, and how much more could be contributed according to your plan coverage (individual or family) with the contribution tracker
- Reimburse yourself for qualified medical expenses paid out of pocket
- Check monthly statements
- Download account forms
- Update your email address or change your mailing address
- Manage investment activity



## An HSA can help you prepare for the future

If you haven't thought about what health care will cost when you retire, take a few minutes today to find out with the Health Savings Checkup from Optum.

It only takes a few minutes. You will answer some basic questions about yourself, your retirement goals, your health and your finances. You'll get a picture of your potential retirement health care costs, a personal action plan and a phone number to call to help you put that plan into action.

Go to [healthsavingscheckup.com](https://healthsavingscheckup.com) to take the Health Savings Checkup.

Investments are not FDIC insured, are not bank issued or guaranteed by Optum Financial or its subsidiaries, including Optum Bank, and are subject to risk including fluctuations in value and the possible loss of the principal amount invested.

## Get the most out of your health care savings

The [optumbank.com](https://optumbank.com) website also features tools and information to help you maximize the benefits of your HSA, including:

- Information on how to manage your account
- Tax information
- The Health Savings Checkup to help you plan for retirement
- HSA calculators
- Information about the Consumer Directed HealthSelect HDHP

## New account holder checklist

Use this list to make sure you've taken all the first steps to opening and funding your HSA. Visit [optumbank.com](https://optumbank.com) if you have questions about aspects of managing your account.

- Open your account at [optumbank.com](https://optumbank.com).
- Record your account number and file it in a safe place.
- Register online at [optumbank.com](https://optumbank.com).
- Designate a beneficiary for your account. Sign in to your account. From your account summary page, select "Accounts" to designate or change your beneficiary.
- To make tax-free contributions, sign in to your Employees Retirement System of Texas (ERS) online account, or work with your human resources department to sign up for a monthly payroll deduction into your HSA, if you're an active employee.  
**Note:** If you're a retiree, you can't have a monthly deduction from your annuity deposited into your HSA.
- Start saving so you can pay for, or be reimbursed for, qualified medical expenses.
- Activate your Optum Financial Health Savings Account debit Mastercard®.
- Review your account fee schedule and privacy notice included in your welcome kit.
- Become familiar with qualified medical expenses.
- Review how to pay bills online or be reimbursed for qualified expenses paid out of pocket.
- Save all receipts for qualified medical expenses.

**Don't forget:**

- Keep all medical receipts. You can save paper copies or store them online. The convenient online Receipt Vault allows you to upload images of receipts for qualified medical expenses and then store them within your HSA.
- Track your health care expenses with the expense tracker worksheet on [optumbank.com](https://optumbank.com) or your own money management software.
- Retain all tax documents you receive from Optum Financial for filing your tax returns and maintaining your records.

## Customer service

You can call Optum Financial toll-free at **1-866-234-8913**. Customer service representatives are available from 7 a.m. to 7 p.m. Central time, Monday through Friday. Assistance for most foreign-language speakers is also available.

If you call before or after business hours, our phone service includes many automated options, including:

- Account balance and the last 5 transactions
- Directions to activate your debit card, or report a lost or stolen card
- Information about managing investments\*
- Instructions for transferring funds by wire

Customer service representatives do not have access to information or data about your Consumer Directed HealthSelect HDHP or claims. Please contact Blue Cross and Blue Shield of Texas toll-free at **1-800-252-8039** (TTY: **711**), 7 a.m. to 7 p.m. Central time, Monday through Friday, and 7 a.m. to 3 p.m. Central time on Saturday for that information.

## Communications from Optum Financial

After you open an HSA, we'll send you a welcome kit with your account number, account disclosures and your Optum Financial HSA debit Mastercard.

After you register on our website, we'll ask you if you want to receive information about your account by mail or electronically. Every year, we'll send you our Annual Privacy Notice using the method you select.

We may email you on occasion with information about servicing your HSA. Please know that we will never ask for personal or confidential information. Your privacy and online security are very important to us.

Sign in to your HSA through [optumbank.com](https://optumbank.com) for more information about safeguarding and protecting your security online.

## HSA basics

An HSA may help you plan, save and pay for qualified medical expenses. This section covers the benefits of HSAs, who's eligible to open and contribute to an account, what HDHPs are and some related health insurance terms.

### Eligibility

**After you've enrolled in Consumer Directed HealthSelect, you may be eligible to open an HSA if:**

- You are not covered by any other non-HDHP, such as a spouse's plan, that provides any benefits covered by your HDHP. Exceptions include permissible coverage, such as specific injury insurance or accident, disability, dental, vision or long-term care insurance.
- You are not enrolled in any part of Medicare.
- You do not receive health benefits under TRICARE.
- You cannot be claimed as a dependent on another person's tax return.
- You are not covered by a TexFlex<sup>SM</sup> health care flexible spending account (health care FSA) in the same plan year. If you have a TexFlex FSA from before you enrolled in Consumer Directed HealthSelect, after August 31, ERS will roll over any remaining balance between the ERS-set minimum rollover and the IRS-set maximum rollover to a TexFlex limited purpose FSA. You can use the limited-purpose FSA for qualified dental and vision expenses. Learn more about TexFlex health care and limited-purpose FSAs, including minimum and maximum rollover and contribution amounts, at [TexFlexERS.com](https://www.texflexers.com).

**If your circumstances change and you are no longer eligible to contribute to an HSA, you can keep the account as long as you like and use it to pay for qualified medical expenses income tax-free. Other IRS restrictions and exceptions may also apply. We recommend that you consult a tax, legal or financial advisor to discuss your personal circumstances.**

## Benefits of HSAs

### HSAs offer triple tax savings:<sup>1</sup>

- The money you put in is tax deductible, up to the IRS-established limits.
- Your savings grow tax-free.
- Any money you take out to pay for qualified medical expenses is income tax-free.

An HSA is like no other savings vehicle now available to taxpayers.

### The money in your HSA is always yours

There is no “use it or lose it” rule. All amounts in your HSA are fully vested, and any account balances remain there until you choose to spend them. Your account is portable, too, meaning your money moves with you, even if you:

- Change jobs
- Change medical coverage
- Become unemployed
- Move to another state
- Get married or divorced

### With an HSA, you are in charge

You decide:

- How much you will contribute to your account, up to the allowable annual IRS limit
- When you want to use your savings to pay for, or be reimbursed for, qualified medical expenses
- Whether or not to invest<sup>2</sup> some of your savings in mutual funds or Betterment for greater potential long-term growth

1. State tax treatment of HSAs varies. Go to [optumbank.com](https://www.optumbank.com) or consult your state's department of revenue to find out more.

2. Investments are not FDIC insured, are not bank issued or guaranteed by Optum Financial or its subsidiaries, including Optum Bank, and are subject to risk including fluctuations in value and the possible loss of the principal amount invested.



## High-deductible health plans

To open and contribute to an HSA, you must enroll in the Consumer Directed HealthSelect high-deductible health plan (HDHP).

**The HSA is designed to work with your HDHP to protect you and your family. Here's how an HDHP works:**

**You're responsible for paying your non-preventive medical and prescription drug expenses and will have to satisfy your deductible.**

Your deductible is the amount that you must pay toward your health care before the plan begins to pay for any health or prescription drug benefits, except preventive care.

**After you meet your annual deductible, you are responsible only for a portion of your medical and prescription drug expenses. This is called coinsurance. Consumer Directed HealthSelect has different coinsurance levels for in-network and out-of-network expenses, as outlined below:**

- 20% for in-network health care and prescription drug services (plan pays 80%)
- 40% for out-of-network health care and prescription drug services (plan pays 60%)

**You can, if you choose, use HSA funds to pay for the out-of-pocket expenses mentioned above.**

Or, you can reimburse yourself for those expenses sometime later. Make sure to save all receipts! You are responsible for being able to prove, if questioned by the IRS, that you used your HSA only for qualified medical expenses.

**Remember:** If you pay a premium for your or your family's health insurance, premiums for Consumer Directed HealthSelect are lower than HealthSelect of Texas®. But Consumer Directed HealthSelect participants could end up paying more overall because of the high deductible. The HSA helps participants save money so they're prepared for out-of-pocket health care expenses. Many HSA owners who pay all or part of their health plan premiums choose to put their premium savings directly into their HSAs to save for the future.



### HDHP deductibles and out-of-pocket maximums

The HDHP part of Consumer Directed HealthSelect has an annual in-network deductible of \$2,100 for individual coverage and \$4,200 for family coverage.

The annual out-of-network deductible for individual coverage is \$4,200 and \$8,400 for family coverage.

#### The annual in-network out-of-pocket maximums (including deductibles, copayments and coinsurance) are:

January 1–December 31, 2024

- \$7,500 for individual coverage
- \$15,000 for family coverage

January 1–December 31, 2025

- \$8,050 for individual coverage
- \$16,100 for family coverage

There is no out-of-pocket maximum for out-of-network expenses.

Deductibles and out-of-pocket maximums both reset on January 1 each year. The IRS reviews limits annually. Visit [IRS.gov](https://www.irs.gov) to find out more.

# Example:

## Wayne’s HSA works with his health plan\*

- Wayne is single. He enrolled in Consumer Directed HealthSelect, which covers preventive care at 100% and has an annual in-network deductible of \$2,100.
- The costs of his routine physical exam and other preventive care are covered completely by Consumer Directed HealthSelect.
- Wayne takes prescription medication on a regular basis. He is responsible for paying for his prescriptions and non-preventive medical care until he has paid \$2,100 – the amount of his deductible.
- After that, he is responsible for paying 20% of the cost of in-network services – what’s called coinsurance – until he reaches his plan’s out-of-pocket limit of \$8,050 in calendar year 2025.

Expense	Charge	What Wayne pays	What the plan pays
Annual physical exam <sup>1</sup>	\$500	\$0	\$350*
Medication	\$3,000	\$2,100 + \$180 (deductible + coinsurance) <sup>2</sup>	\$720
<b>Totals</b>	<b>\$3,500</b>	<b>\$2,280</b>	<b>\$1,070</b>

1. Plan covers preventive care at 100% if he’s using an in-network provider. Plan’s negotiated rates with Wayne’s physician apply.

2. Wayne is responsible for 20% coinsurance once the in-network deductible is met, up to maximum out-of-pocket expenses and \$8,050 in 2025.

## Wayne opened an HSA

- He elected to have monthly pre-tax payroll deductions in addition to the \$45 monthly contribution from the State of Texas, and now has \$3,000 in his HSA.
- His federal tax savings with his HSA are approximately \$980.<sup>3</sup>
  - Even if he uses the HSA to reimburse himself for all of his out-of-pocket expenses, he has still saved that \$980.
- At year-end, he has \$720 as a basis for future savings or to help pay for medical expenses the following year.

HSA deposits (including \$540 from the state)	\$3,000
Federal income tax savings on deposits <sup>3</sup>	\$980
Total out-of-pocket cost (deductible + coinsurance)	\$2,280
<b>Account carried forward</b>	<b>\$720</b>

3. Assumes Wayne is in the 25% federal tax bracket and lives in a state where HSAs are not taxed. He also saves 7.65% in FICA taxes (Medicare and Social Security).

**Keep in mind that with the HDHP associated with an HSA, Wayne will likely pay more out of pocket overall because of the high deductible compared to HealthSelect of Texas.**

# Opening and funding your HSA

To start saving in an HSA, you must first enroll in Consumer Directed HealthSelect and open an HSA with Optum Financial. You'll need to open an account to collect the monthly contributions made by the State of Texas. If you're an active employee, you can elect to have monthly contributions deducted from your paycheck to help you save for your HSA. Retirees don't have the option to have contributions deducted from their annuity, but they can deposit after-tax funds in their accounts and claim them when they file their taxes. The best way to save is to make a plan – and stick to it.

## How to open an account

Go to [optumbank.com](https://optumbank.com) and follow the directions to open an account. Be sure to have your Consumer Directed HealthSelect information handy.

A welcome kit will be sent to you within 10 business days of your opening the account. You also have the option to access the welcome kit electronically.

**Note:** Open your HSA just as soon as you are eligible to do so. That way, you can use your accumulated HSA funds to pay or reimburse yourself for qualified medical expenses. You cannot use your HSA to reimburse yourself for medical expenses you had before your account was opened.

## Funding your account

Once your account is opened, you will be able to sign in to your HSA through [optumbank.com](https://optumbank.com) and arrange to make a deposit to your HSA from another bank account, such as a savings or checking account, one time or on a recurring basis.

Or, you can mail a check with a contribution/deposit form available at [optumbank.com](https://optumbank.com). Follow the instructions on the form.

**Note:** Funds are not available until they are posted to your HSA.



## IRA and HSA rollovers

You can make a one-time distribution from your traditional IRA or Roth IRA to your HSA. You must direct your IRA trustee to make the distribution directly into your HSA. The amount cannot exceed how much you are eligible to contribute to an HSA for the tax year. The distribution from your IRA is not included in your income, is not deductible and reduces the amount that can be contributed to your HSA.

You can roll over amounts from Archer medical savings accounts (MSAs) and other HSAs into an HSA. You must roll over the amount within 60 days after the date of receipt. You can make only one rollover contribution to an HSA during a one-year period. Rollovers are not subject to the annual contribution limits.

You can also direct an HSA custodian/administrator to transfer funds directly into another HSA. Such a transfer is not considered a rollover, and there is no limit on the number of such transfers. You do not include the amount transferred in your income for tax purposes, deduct it as a contribution or include it as a distribution from the account.

You can find a rollover/transfer request form at [optumbank.com](https://optumbank.com).

## Employer contributions

The State of Texas will make a pre-tax contribution for eligible active employees and retirees each month. Usually, the state's deposit will be posted and available around the 15th business day of each month. The state will contribute only to Optum Financial HSAs, so you should open your account with Optum Financial as soon as possible.

If you're actively employed, you may elect to have an amount deducted pre-tax from your paycheck and deposited directly into your HSA monthly. This contribution will be made before Social Security, federal and most state income taxes are deducted.

**Note:** Retirees don't have the option to have contributions deducted from their annuity. They can make post-tax contributions and claim them when they do their tax filing for the year.

## Who can contribute

### You

Active employees can contribute on a pre-tax basis by electing a specific amount to be deducted monthly from their paycheck. Retirees and active employees can make their own deposits and write off their allowable HSA contribution on their personal income tax return as an "above-the-line" deduction.

### The State of Texas

If you are an active employee or a retiree, the State of Texas will contribute \$45 monthly for an individual account and \$90 monthly for a family account on a pre-tax basis. Those funds belong to you as soon as they are posted, even if you change health plans or leave state employment. Be sure to subtract your employer's contribution from the annual contribution limits to figure out how much you or others can deposit.

**Note:** Survivors of employees or retirees, former legislative employees, COBRA participants and participants on Leave Without Pay won't receive the state contribution.

### Other people

Friends, family members or anyone can contribute to your HSA, on your behalf. If a family member or friend makes a contribution to your HSA, you may deduct the contribution amount when filing your annual income taxes, just as if you had deposited the post-tax contribution on your own.

The contributor should write a check payable to you, the HSA owner. Simply fill out a contribution/deposit form (available at [optumbank.com](https://optumbank.com)). Then, attach the check to the form and mail it according to instructions on the form.

## Contribution limits

There are limits, set by law and adjusted annually, for how much you can contribute tax-free to an HSA in a calendar year.

2024 contribution limits	2025 contribution limits
\$4,150 for individual coverage	\$4,300 for individual coverage
\$8,300 for family coverage	\$8,550 for family coverage

**Note:** The tax-free contribution limits include state contributions to your HSA.

If you are 55 or older, you can make **“catch-up” contributions**, meaning you can deposit an additional \$1,000. If your spouse is also 55 or older, he or she may establish a separate HSA and make a “catch-up” contribution to that account.

Keep in mind that you can contribute up to the maximum allowed for the year at any time up until the tax-filing deadline (generally April 15) of the following year.

## Contribution tracker

Even though anyone can contribute to your HSA, it is up to you to make sure that you don't exceed the IRS HSA contribution limits. The Optum Financial HSA contribution tracker is a handy online tool that can help you do just that. The contribution tracker shows how much you have contributed to your HSA year-to-date, and calculates how much more could be contributed according to your plan coverage (individual or family). You can find the contribution tracker readily accessible on the “HSA Dashboard” once you sign in to your account.

## Pro-rated contributions

A job change or other life event may lead you to end your coverage in Consumer Directed HealthSelect during the plan year. In that case, you would need to calculate a pro-rated contribution amount based on your actual months of high-deductible plan coverage.

If your contributions exceed that amount, you can ask your HSA administrator to have excess contributions returned to you. [Optumbank.com](https://www.optumbank.com) has a withdrawal/distribution request form for you to use.

**For example:**

- The Consumer Directed HealthSelect plan year is September 1 to August 31 (12 months).
- You maintain high-deductible health plan coverage for your family for 6 months (March through August).
- The IRS maximum contribution limit for family coverage for 2024 is \$8,300.
- Your maximum contribution would be \$4,150, because you had only 6 months of coverage under an eligible high-deductible health plan:  $\$8,300/12 = \$691.67$  (maximum monthly contribution for family coverage);  $\$691.67 \times 6 = \$4,150$ .

If you are 55 or older, catch-up contributions must also be pro-rated using the same formula.

## Mid-year plan enrollment

The plan year for Consumer Directed HealthSelect runs September 1 through August 31, while the IRS contribution limits are based on the calendar year (January 1 through December 31). If your enrollment in Consumer Directed HealthSelect is effective September 1 (or any other date before January 1), calculations for your annual maximum contribution could be based on 2 different contribution limits: the IRS limits for the calendar year you enrolled in the plan and the IRS limits for the year starting January 1.



## What if ...

### **... my total HSA contribution for the year exceeds the IRS limits?**

Your excess contributions are subject to standard income tax rates plus a 6% penalty. If you want to avoid paying the penalty, you can complete and mail or fax a withdrawal/distribution form, available at [optumbank.com](http://optumbank.com). If you request a refund, there is no penalty as long as the distribution is made before the tax-filing deadline, generally April 15. Earnings on the excess amount are taxable, but the 6% excise tax will not apply as long as the excess contributions and earnings are paid out before the tax-filing deadline.

### **... I have more than one HSA?**

You may contribute to all of them, but the total contributions to your accounts cannot exceed the annual maximum contribution limit. Contributions from the state, family members or any other person must be included in the total.

### **... I contributed the maximum annual amount, but I was not covered by Consumer Directed HealthSelect for an entire year?**

You are only eligible to contribute to your HSA for the time you were covered by a HDHP. You can figure that out by pro-rating your maximum contribution – for individual or family coverage – for the part of the year you were covered by a HDHP. You can arrange to withdraw your excess contribution, as described above.

### **... my spouse and I are covered by different health plans?**

Your contribution limits are generally determined by the type of HDHP you have – single or family. Consult a tax advisor regarding your personal situation. You can find out more by visiting [IRS.gov](http://IRS.gov).

## Designating a beneficiary

When you set up an HSA, it is important that you also select a beneficiary. This will ensure that your HSA money is immediately available to your beneficiary upon your death. You may select more than one beneficiary and assign the portion of your account that would go to each.

### What if you don't select a beneficiary?

If you do not specify a beneficiary and you are married, your HSA becomes your spouse's HSA. If you are not married at the time of your death, the funds will go to your estate and the funds may be subject to taxation.

### How do you designate your beneficiary?

Sign in to your account through [optumbank.com](https://optumbank.com). From your account summary page, select "Accounts" to designate or change your beneficiary.

## Example:

### Martín's contributions and tax savings

- Martín has family coverage with Consumer Directed HealthSelect.
- His total contribution maximum for 2024 is \$8,300. Every month, he puts \$600.83 into his HSA.
- Martín's federal tax bracket is 28%.<sup>1</sup>
- His total tax savings on contributions this year are \$2,324.00.
- Sign in to your HSA account at [optumbank.com](https://optumbank.com) to do your own HSA calculations.



1. Please see IRS.gov to find out your tax bracket.

2. Hypothetical example assumes that Martin lives in Texas where there is no state income tax. While health savings accounts were created by the federal government, states can choose to follow the federal tax treatment guidelines or establish their own. Some states have chosen to tax HSA contributions. Talk to your financial advisor or consult your state department of revenue for more information. Hypothetical example is for illustrative purposes only. All events, persons and results described herein are entirely fictitious and amounts will vary depending on your unique circumstances. Any resemblance to real events or persons, living or dead, is purely coincidental.



# Using your HSA

You can use your HSA funds to pay for “qualified medical expenses,” even if an expense is not covered by your health plan. For example, few health plans cover the cost of acupuncture, but you can use your HSA to pay for it.

Your HSA dollars are available not only to you, but also to your spouse and eligible dependents, even if they are not covered by your HDHP.

The list of “qualified medical expenses” is defined by the IRS, and it includes a wide range of dental, vision and medical expenses. You should become generally familiar with the list and consult it as needed to determine if an expense can be paid for with your HSA.

## Qualified medical expenses

Expenses that qualify for payment or reimbursement from your HSA tax-free are defined by federal regulation. The following is a short list of some products and services in this category:

- Doctor office visits
- Dental care, including extractions and braces
- Vision care, including contact lenses, prescription sunglasses and LASIK surgery
- Prescription medications
- Chiropractic services
- Acupuncture
- Hearing aids (and the batteries, too)

For more information about qualified medical expenses, visit the IRS website at [IRS.gov](https://www.irs.gov) or [optumbank.com](https://www.optumbank.com).

## Other HSA-qualified expenses

Generally, you cannot use your HSA to pay for health insurance premiums, but there are exceptions. You may use your HSA to pay for:

- Any health plan coverage while receiving federal or state unemployment benefits
- COBRA continuation coverage after leaving employment with a company that offers health insurance coverage
- Eligible long-term care insurance
- Medicare premiums and out-of-pocket expenses, including deductibles, copays and coinsurance for:
  - Part A (hospital and inpatient services)
  - Part B (physician and outpatient services)
  - Part C (Medicare HMO and PPO plans)
  - Part D (prescription drugs)

**Note:** This does not include premiums for a Medicare supplemental policy, such as Medigap.

## Spouse and dependent health care

If you are married, you and your spouse may be covered by different health plans. You may have a domestic partner. If you have children, they may be covered under your plan or your spouse's plan. You may have adult children who are covered by your health plan, as is allowed until those children reach age 26.

Family situations can vary. Generally, contribution limits to an HSA are determined by the type of coverage – individual or family. Even if your spouse or dependents are not covered by Consumer Directed HealthSelect, you may use your HSA dollars to pay for qualified medical expenses for them.

If you have adult children covered under your health plan, you may not use your HSA to pay or reimburse yourself for their qualified medical expenses if they are not your tax dependents. However, those children may be able to open their own HSAs and contribute up to the limit dictated by the type of health plan they are covered under, whether individual or family.

## Limited-purpose flexible spending account

You are not able to participate in a TexFlex health care flexible spending account (FSA) if you enroll in Consumer Directed HealthSelect. Active employees may, however, open a limited-purpose FSA, administered by TexFlex.

A limited-purpose FSA can be used only to pay for eligible dental and vision expenses that you may have. A limited-purpose FSA is not insurance. Visit [TexFlexERS.com](https://www.texflexers.com) for more information.



Visit [IRS.gov](https://www.irs.gov) or [treasury.gov](https://www.treasury.gov) for answers to frequently asked questions on these topics. Consult your tax advisor for guidance on your specific situation.



## What if I use the money in my HSA for non-qualified expenses?

Any amounts you use for purposes other than to pay for qualified medical expenses are taxable as income and subject to an additional 20% IRS tax penalty. This applies to:

- Medical expenses that are not considered “qualified” under federal law, like elective cosmetic surgery
- Other types of health insurance
- Medicare supplement premiums
- Expenses that are not medical- or health-related

To redeposit funds that have been used in error for non-qualified expenses, complete a withdrawal correction form, available at [optumbank.com](https://www.optumbank.com).

## Optum Financial Health Savings Account debit Mastercard®

You can use your Optum Financial Health Savings Account debit Mastercard for direct payment at a doctor's office, pharmacy or any health care facility that accepts Mastercard. In most cases, the card can also be used to pay a bill from a doctor's office or health care facility, provided they accept Mastercard.

You will receive your card in the mail 7 to 10 days after opening an HSA. Be sure to activate your card so you can start using it for your qualified medical expenses. You can activate your card using the included toll-free number, and you may obtain your PIN at that time.

With your PIN, you can use your debit Mastercard to withdraw funds at any ATM displaying the Mastercard brand name. So, for example, if you go to the doctor and pay for your services out of your own pocket, you can then withdraw money at the ATM to reimburse yourself.

**NOTE:** Optum Financial will charge a \$2.50-per-transaction fee for ATM withdrawals. The ATM owner may also charge a fee.

If you would like an additional debit card, you can sign in to your account at [optumbank.com](https://optumbank.com) and order one online.

Remember that your HSA debit Mastercard acts like any other debit card and could incur charges not made by you. Protect yourself against fraudulent charges by routinely checking your HSA statement.

### Lost or stolen debit Mastercard

If your card is lost or stolen, you can call Optum Financial toll-free at **1-866-234-8913** any time of the day or night. Our phone system is set up to take this information even after business hours. We will reissue you a new card free of charge. It should arrive by mail within 7 to 10 days of reporting a lost or stolen card.

## Paying online

When using your Optum Financial debit Mastercard to pay for qualified medical expenses online, you receive additional protection of your personal information by using the Mastercard SecureCode™.

A SecureCode, known only to you, validates your identity as the cardholder for online transactions with participating retailers. Here's how it works:

- Each time you make an online purchase with a participating retailer, a window pops up, asking for your SecureCode.
- Correctly enter your SecureCode. This confirms you are the authorized cardholder and your purchase is completed.

**Online retailers cannot see your SecureCode, adding another layer of protection.**

## Obtaining a SecureCode is easy

The next time you use your Optum Financial debit Mastercard for an online purchase, you will be prompted to register for a SecureCode. Choose your password, briefly provide other requested information identifying yourself and continue to complete your purchase.

When making future online purchases, you will be asked to enter that same SecureCode to complete the transaction.

SecureCodes are required for all your HSA online debit card purchases at participating retailers. More than 350,000 online retailers support SecureCode, and ranks are growing all the time.

## Online banking and bill payment

Sign in to [optumbank.com](https://optumbank.com) and enjoy the convenience of online banking with Optum Financial. You can view recent account activity, link to your investment account, if you have one, and view and download your monthly statements.

At the time of application, you agree to receive electronic monthly statements. You can, if you choose, request to have monthly statements mailed to your home. You can opt out of electronic statements by completing and returning a statement delivery change request form, available at [optumbank.com](https://optumbank.com).

## Mobile experience

You can easily access your Optum Financial HSA with your smartphone or tablet and manage your account on the go. The easy-to-read screen allows you to:

- View account balances and transactions
- Make a contribution to your HSA
- Pay a bill
- Access the Receipt Vault
- Reimburse yourself and more!

## Reimbursing yourself

You may choose to pay for some or all of your medical expenses out of pocket, saving receipts to track your qualified expenditures. Then, at some point in the future, you may reimburse yourself for those expenses. Sign in to your HSA and select “Reimburse Yourself.” You’ll be able to choose to set up an electronic funds transfer (EFT) from Optum Financial to your savings or checking account at another bank. Or, you can ask us to send you a check by mail.

When you reimburse yourself is completely up to you. It can be weeks, months or even years after you’ve paid for the qualified medical expenses. You must, however, have retained the receipts for the qualified medical expenses in the event the IRS inquires, and the expenses must have been incurred after the date when you established your HSA.

## Disbursement limits

Optum Financial limits your ATM withdrawals to \$300 within a 24-hour period.

## Receipt Vault

The Optum Financial Receipt Vault is an easy online tool that helps you keep track of your receipts and stay organized. It allows you to upload images of receipts for qualified medical expenses and then store them within your HSA. You can easily organize and manage your receipts from your smartphone, tablet or desktop. This makes it easy to maintain your records in the event of an IRS audit.



### Things to keep in mind when paying your medical bills:

- If paying a bill with your Optum Financial Debit Mastercard, with online bill payment or by check, you must have sufficient funds available in your account to cover the cost.
- You can wait until your balance grows and reimburse yourself for costs you paid out of pocket. (Remember to save your receipts.)
- The true cost of your medical expense may be discounted if your doctor is in your health plan’s network. It’s best to wait until after the claim is filed and the insurance company notifies you of how much you are responsible for before using your HSA funds to pay.

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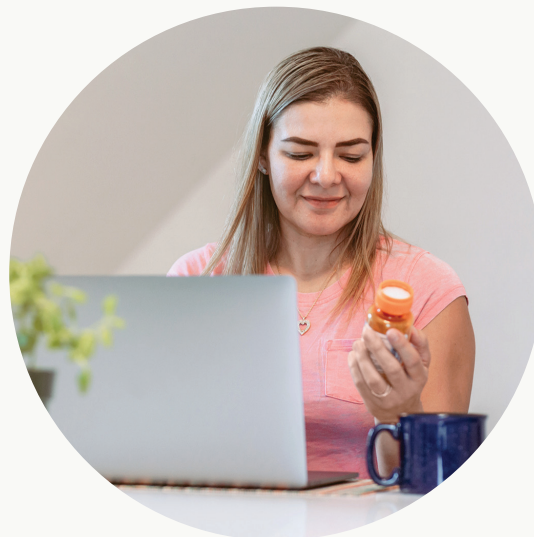
# Example:

## Robyn's visit to an in-network doctor

- Robyn gives her Consumer Directed HealthSelect ID card to the office personnel. The card contains information about her HDHP.
- The doctor prescribes medication. She consults with Robyn on her medical coverage, and she prescribes a generic medication.
- Robyn takes the prescription to her in-network pharmacy. She pays the network-negotiated rate for her prescription using her Optum Financial HSA debit Mastercard®.
- After her visit, the doctor's office submits the claim to Robyn's plan to find out the amount she will need to pay. Robyn's plan will pay the doctor according to negotiated rates.

**NOTE:** Robyn can see out-of-network doctors if she wants to, but she'll pay more – possibly much more – than if she sees an in-network doctor.

- Robyn gets a bill from her doctor's office. In addition, her plan will send a statement or explanation of benefits (EOB), which provides details about her share of the cost of the doctor's visit.
- Robyn has the option to use funds in her HSA to pay the bill, or she can choose to pay out of pocket and save her HSA funds for future expenses.
- Robyn decides to use her HSA funds. She uses online bill payment through [optumbank.com](https://optumbank.com) to send payment to her doctor.



### What if my doctor's office isn't familiar with HSAs and HDHPs?

When you visit your doctor, present your Consumer Directed HealthSelect ID card to the person who verifies your insurance information. He or she can contact Optum Financial if they need additional information about the HSA.

# Tax benefits and information

With an HSA, you are in charge of your account – not your employer, not your health insurance company, not your bank. You get the benefit of 3 major tax savings:

1. Money put into the account is exempt from federal income tax.
2. Balances grow tax-free.
3. Withdrawals to pay for qualified health expenses are income tax-free.

Remember that there is no “use it or lose it” rule with HSAs – the money is yours to keep. This means you are also responsible for tracking your expenses and reporting to the IRS when filing your federal income tax returns and, if applicable, your state revenue department when filing your state returns.

## Reporting to the IRS

You are responsible for saving receipts and keeping track of all expenses paid from your HSA funds, in case you need to prove to the IRS that distributions from the HSA were for qualified medical expenses.

You can download an expense tracking worksheet from [optumbank.com](https://www.optumbank.com) to help you maintain your records. Or, use your own money management software.

If you use your HSA funds to pay for goods or services that aren't qualified medical expenses, you are responsible for reporting that to the IRS, paying income taxes on the amount and possibly an additional 20% tax penalty. You will need to consult your tax advisor.

## Important forms

For tax purposes, there are three important forms. Samples are available at [optumbank.com](https://www.optumbank.com).

### IRS Form 1099-SA

This form provides you with the total distributions that were made from your HSA. You will receive a separate 1099-SA for each type of distribution you had in that tax year. The 5 types of distributions are: normal, excess contribution removal, death, disability and prohibited transaction. If you did not have distributions during the tax year, you will not receive a 1099-SA.

For detailed information about tax reporting with your HSA, visit the U.S. Internal Revenue Service website at [IRS.gov](https://www.irs.gov).

## **IRS Form 5498-SA**

This form provides you with the contributions that you made to your HSA in a particular tax year. Account holders have the right to make contributions to their HSA for a tax year until generally April 15 of the following year.

## **IRS Form 8889**

This is the HSA contribution form for you to complete and attach to your IRS 1040 Form to report year-to-date contributions and distributions from your HSA.

## **State tax information**

While HSAs were created by the federal government, states can choose to follow the federal tax treatment guidelines or establish their own.

Eligible HSA contributions are not taxed by most states, but they are taxed in California and New Jersey. Please consult your tax advisor or state department of revenue for more information.

## **Withdrawals after age 65 or upon becoming disabled**

After you turn 65 or become entitled to Medicare, you may withdraw money from your HSA for non-medical purposes without penalty. The withdrawal is treated as retirement income and is subject to normal income tax. The same holds true if you become disabled before age 65: you are not liable for the 20% penalty and the withdrawals are treated as income.



### **What if I am no longer covered by an HSA-qualified annual deductible health plan?**

Then you cannot continue to contribute to your HSA, but you can use your tax-free HSA funds to pay for qualified medical expenses for as long as there is money in the account.

In short, the money in your HSA is yours to keep.



# Growing your money

There are time-tested principles of saving money: start early, make regular deposits and set a goal for every year. The same wisdom applies to HSAs. Not only will your deposits grow, but your tax savings will, too. Remember: Every dollar you put into your HSA up to the annual contribution limit is federal income tax-free.

## Earnings and fees

Your HSA may earn interest at tiered rates. Interest rates and annual percentage yields (APYs) vary and are subject to change at any time. Fees may reduce earnings on your account. To find out your current interest rate, sign in to your account at [optumbank.com](https://optumbank.com). Your interest rate can be found on your monthly statement.

Accounts are subject to a monthly maintenance fee to cover use of the Optum Financial HSA debit Mastercard and online bill payment. If you have a health plan and an HSA through work, your employer may cover the cost of monthly fees. Check with your employer to find out its policy. You may also refer to the fee schedule that is included with your HSA welcome kit.

## Investment opportunities\*

Once your deposit account reaches a designated value, known as the investment threshold, you may, if you choose, set up a separate investment account to invest a portion of your savings in mutual funds or Betterment.



### Investment tools and information

Links from your HSA through [optumbank.com](https://optumbank.com) provide you with investment information and tools, including:

- Fund prospectuses
- Morningstar® information for each mutual fund
- Prospectus summaries, past performance and risk measures for each fund
- Personal rate of return information

\*Investments are not FDIC insured, are not bank issued or guaranteed by Optum Financial or its subsidiaries, including Optum Bank, and are subject to risk including fluctuations in value and the possible loss of the principal amount invested.

## **Guidelines for transferring money from your deposit account into an investment account include:**

- You must retain at least the minimum investment threshold balance in your HSA deposit account at the time of a transfer.
- Funds must be invested in increments of \$100 or more.
- You can make trades online or by phone with our interactive voice response (IVR) system.
- Deposit and investment account balances and transactions are viewable online at [optumbank.com](https://optumbank.com).
- A monthly investment fee may apply.

To view the standard list of mutual fund investments, or to learn more about digitally managed investments through Betterment, visit [optumbank.com](https://optumbank.com).

## **Maintaining and redeeming investment accounts**

If you choose to invest, you will have the option to automatically “sweep” contributions to your account that exceed the investment threshold into your investment account. You will choose how investments are allocated when you set up your investment account, and you may change your allocations with tools available through [optumbank.com](https://optumbank.com).

Payments for qualified medical expenses can only be made from your deposit (or savings) account. If you want to use money in your investment account to pay for qualified medical expenses, you must first liquidate investments and transfer funds into your deposit account. You can do this online by signing in to your account through [optumbank.com](https://optumbank.com). See the Optum Financial Custodial and Deposit Agreement for more information on liquidation of investments.

# Example:

## Shandra's savings grow over time

- Shandra deposits \$2,500 per year to her HSA.
- Her average qualified medical expenses per year are \$1,000, making her net contribution per year about \$1,500.
- Shandra's tax bracket is 25%.<sup>1</sup> Shandra also saves 7.65% in federal payroll taxes (FICA). Shandra lives in Texas, where there is no state income tax.<sup>2</sup>
- Shandra earns 0.20% APY on her savings.<sup>3</sup>



After 5 years	After 15 years
<ul style="list-style-type: none"> <li>• Shandra's net HSA contribution is \$7,500</li> <li>• Her federal income tax savings (on her HSA contributions) are \$4,081.25</li> <li>• Her earnings on her HSA are \$15.02</li> <li>• Her tax savings (on HSA earnings) are \$3.76</li> </ul>	<ul style="list-style-type: none"> <li>• Shandra's net HSA contribution is \$22,500</li> <li>• Her federal income tax savings (on her HSA contributions) are \$12,243.75</li> <li>• Her earnings on her HSA are \$360.00</li> <li>• Her tax savings (on HSA earnings) are \$90.00</li> </ul>
<p><b>Shandra has \$7,515.02 saved for qualified medical expenses.</b></p>	<p><b>Shandra has \$22,860.00 saved for qualified medical expenses, even those she has in retirement.</b></p>

1. Please see IRS.gov to find out your tax bracket.

2. Talk to your financial advisor or consult your state department of revenue for more information about your state's taxation policies.

3. Example presumes an unchanging Annual Percentage Yield (APY) of 0.20% over a 12-month period. Current interest rates are variable and may change at any time. They may be higher or lower than the example shows. Fees may reduce earnings on account.

# The 5 stages of health saving and spending™

Good health is a journey. So is saving the money needed to pay for qualified medical expenses. We've identified 5 stages account holders go through when owning a health savings account: Decide, Open, Use, Manage and Optimize.

Decide	Open	Use	Manage	Optimize
Considering an HSA?	Opened an HSA, but haven't used it yet?	Wondering how much to contribute?	Want tips for managing your HSA?	Ready to turn your HSA into an investment?

## How you can progress to the next stage

1. Make sure you're contributing the maximum amount allowed each year. For 2024, you can contribute up to the IRS limits of \$4,150 if you have individual coverage or \$8,300 if you have family coverage. For 2025, you can contribute up to the IRS limits of \$4,300 if you have individual coverage or \$8,550 if you have family coverage. Contribution limits are increased by \$1,000 for eligible individuals ages 55 or older.
2. Sign in to [optumbank.com](https://optumbank.com), access Optum Financial HSA and take the Health Savings Checkup to find out if you are saving enough in your HSA.
3. Check out the Optum Financial Receipt Vault, a helpful tool that will allow you to upload images of your receipts to your HSA.



To learn more about the 5 stages, visit [optumbank.com/optumHSAstages](https://optumbank.com/optumHSAstages)

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Self-directed mutual fund investment options are made available through the services of an independent investment advisor, or your plan sponsor. Discretionary advisory services are provided by Betterment LLC, an SEC-registered investment adviser, with associated brokerage transactions provided by Betterment Securities, Member FINRA/SIPC. For details and disclosures visit [betterment.com](http://betterment.com). The Schwab Health Savings Brokerage Account is offered through Charles Schwab & Co., Inc., Member FINRA/SIPC. For details and disclosures, visit [schwab.com](http://schwab.com).

Orders are accepted to effect transactions in securities only as an accommodation to HSA owners. Optum Financial and its subsidiaries are not broker-dealers or registered investment advisors and do not provide investment advice or research concerning securities, make recommendations concerning securities, or otherwise solicit securities transactions.

Health savings accounts (HSAs) are individual accounts offered through by Optum Bank®, Member FDIC, a subsidiary of Optum Financial, Inc., and are subject to eligibility requirements and restrictions on deposits and withdrawals to avoid IRS penalties. State taxes may apply. Fees may reduce earnings on account. This communication is not intended as investment, legal or tax advice. Federal and state laws and regulations are subject to change.

Hypothetical examples used throughout this guide are for illustrative purposes only. They are presented strictly for educational purposes and do not reflect an actual plan design or personal situation. All events, persons and results described are entirely fictitious, and amounts will vary depending on your unique circumstances. Any resemblance to real persons or events, living or dead, is purely coincidental. Current rates are variable and may change at any time. Please consult your benefits administrator or a tax, legal or financial advisor about your own personal situation.

The Employees Retirement System of Texas (ERS) complies with applicable federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability or sex. ERS provides free language aids and services, such as: written information in other formats (large print, audio, accessible electronic formats, other formats) qualified interpreters and written information in other languages.

If you need these services, call: 1-877-275-4377, TDD: 711.

If you believe that ERS has failed to provide these services or discriminated in another way on the basis of race, color, national origin, age, disability or sex, you can file a grievance by mail, fax or email:

Mail: Section 1557 Coordinator, Employees Retirement System of Texas, P.O. Box 13207, Austin, TX 78711

Fax: 1-512-867-3480

Email: [1557coordinator@ers.state.tx.us](mailto:1557coordinator@ers.state.tx.us)

For more information, visit: [ers.texas.gov](http://ers.texas.gov).

You can also file a civil rights complaint with the U.S. Department of Health and Human Services online, by mail or by phone at:

Online: [ocrportal.hhs.gov/ocr/portal/lobby.jsf](http://ocrportal.hhs.gov/ocr/portal/lobby.jsf)

Complaint forms are available at: [hhs.gov/ocr/office/file/index.html](http://hhs.gov/ocr/office/file/index.html)

Mail: U.S. Department of Health and Human Services, 200 Independence Avenue, SW, Room 509F,

HHH Building, Washington, D.C. 20201

Phone: 1-800-368-1019, 1-800-537-7697 (TDD)

