

## The Five 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 five 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?

### Getting started

#### 1. Enroll online

You can open your HSA at [optumbank.com/texasers](https://optumbank.com/texasers). Call Optum Bank at **1-800-791-9361** to learn more about the application process.

#### 2. Start saving

There are several ways to contribute to your account.

- **Payroll deduction:** If you are actively employed, you can elect to have a pre-tax contribution taken out of your paycheck and deposited into your HSA. It's the easiest way to build your savings.  
Note: If you're retired, you cannot deposit money from your annuity to your HSA. You can make after-tax contributions directly to your account and claim them when you file your taxes for the year.
- **Electronic deposits:** Sign in to your account and make a deposit by transferring money from another bank account.
- **Check:** Mail a check along with a contribution form, available online.
- **Transfer or roll over funds:** If you already have an HSA, you can roll over or transfer funds from that account into your Optum Bank account. Some restrictions apply. Find more information and a rollover/transfer form on our website.
- **The State of Texas will make a monthly contribution for active employees and retirees on a pre-tax basis, only if a member opens an HSA with Optum Bank.**

#### 3. Be on the lookout

If you enroll online, you may be able to get your welcome kit electronically. Within seven to 10 days, your Optum<sup>®</sup> HSA debit Mastercard will arrive by mail in an unmarked envelope.

### Customer service is here to Help

Visit [optumbank.com](https://optumbank.com).

Manage your account, pay bills, download forms and find other helpful HSA information. Be sure to sign in monthly to check your statement.

Call us toll-free at **1-800-791-9361**

Friendly, knowledgeable customer care professionals are available from 7 a.m. to 7 p.m. Central time, Monday through Friday. Assistance for most foreign-language speakers is also available.



Health savings accounts (HSAs) are individual accounts offered by Optum Bank<sup>®</sup>, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. State taxes may apply. This communication is not intended as legal, investment or tax advice. Please contact a competent legal, investment or tax professional for personal advice on eligibility, tax treatment and restrictions. Federal and state laws and regulations are subject to change.

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A short guide to your health savings account

## How to open and get started with a health savings account (HSA) from Optum Bank

Open your HSA with Optum Bank today. It's quick and easy — go to [optumbank.com/texasers](https://optumbank.com/texasers) to get started.



# GETTING STARTED WITH YOUR HSA

After enrolling in Consumer Directed HealthSelect<sup>SM</sup>, which includes a high-deductible health plan (HDHP), you may be eligible to open and save in an HSA from Optum Bank, Member FDIC. Here is some information about how an HSA works and directions for getting started.

## What is an HSA?

Think of an HSA as a savings plan for health care you'll need today, tomorrow and into the future. It works like a regular bank account, but you don't pay federal income tax on the money you deposit. When you use your HSA money to pay for qualified medical expenses, you won't pay income taxes on the money, either. You can even build your savings into a nest egg for retirement.

Unlike a TexFlex flexible spending account (FSA), your savings can grow from year to year. The money is there when you need it.

## Why have an HSA?

An HSA simply helps you plan, save and pay for health care.

### You own it

The money belongs to you, even deposits made by others, such as the State of Texas or family members. You keep it in your account even if you change jobs, change health plans or retire.

### It has three important tax benefits

- Money deposited is federal income tax-free.
- Savings grow tax-free.

- Withdrawals made for qualified health expenses are also income tax-free.

### Anyone can contribute

You, the State of Texas or a loved one. There are no restrictions on who can put money into your account.

### It's not just for doctor visits

You can use your HSA to pay for qualified medical needs such as eyeglasses, hearing aids and qualified prescriptions.

### You can invest it

Once your balance reaches the designated investment threshold,\* which is typically around \$2,000, you can begin investing in eligible mutual funds. If you earn money on your investments, you don't pay income tax on that money, either.

### You can save for the future

By saving in an HSA, you can be ready for expenses due to illness or accident. And, after you turn 65 or become entitled to Medicare benefits, you may withdraw money from your HSA for expenses that are not qualified medical expenses, which are subject to standard income taxes, without penalty. Save as much as you can now, and you could have a nice nest egg when you retire.

**\*Investments are not FDIC insured, are not guaranteed by Optum Bank and may lose value.**

## When should you establish Your HSA?

After you've enrolled in Consumer Directed HealthSelect, open your HSA as soon as you are eligible to do so. That way, you can start getting the state's monthly contribution to your account, if you are eligible, and start making your own contributions. Then, you can use your HSA 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. You cannot get the state's contribution unless you have an Optum Bank HSA.

## What else do you need to know about an HSA?

### Eligibility rules apply

To deposit money into an HSA, you must be enrolled in an HSA-eligible health plan. You are eligible if:

- You are covered under the Consumer Directed HealthSelect HDHP.
- You are not covered by any other non-HDHP, such as a spouse's plan, that provides any benefits covered by your HDHP with Consumer Directed

HealthSelect. Exceptions include coverage like vision or dental.

- You are not enrolled in Medicare.
- You are not claimed as a dependent on someone else's tax return.
- You do not receive benefits under TRICARE.
- You don't have a TexFlex health care flexible spending account (health care FSA) in the same plan year.

Some other restrictions apply. Please consult your tax, benefits or financial advisor.

If you switch to a health plan that makes you ineligible to continue depositing money in an HSA, you may continue to use the money in your account for qualified medical expenses, but you can no longer make deposits.

### Contribution limits are based on a calendar year and determined every year by the IRS

The annual maximum contribution for **2021** is \$3,600 for an individual account and \$7,200 for a family account. This means the annual maximum participant contribution for a Consumer Directed HealthSelect member getting the state's contribution is \$3,060 for an individual account and \$6,120 for a family account.

The annual maximum contribution for **2022** is \$3,650 for an individual account and \$7,300 for a family account. This means the annual maximum participant contribution for a Consumer Directed HealthSelect member getting the state's contribution is \$3,110 for an individual account and \$6,220 for a family account.

### HSA contributions and limits\* for 2021 and 2022

Annual maximum	Individual coverage		Family coverage	
	2021	2022	2021	2022
<b>Calendar year</b>	2021	2022	2021	2022
<b>Total contribution</b>	\$3,600	\$3,650	\$7,200	\$7,300
<b>State contribution**</b>	\$540 (\$45 monthly)		\$1,080 (\$90 monthly)	
<b>Participant contribution</b>	\$3,060	\$3,110	\$6,120	\$6,220

\*HSA contribution limits are based on a calendar year. Limits may change from year to year, or based on eligibility requirements and the participants' age. Maximums include both pre-tax and post-tax contributions.

The IRS also allows you to make an extra catch-up deposit of \$1,000 if you are 55 or older.

\*\*The current annual contribution from the State of Texas, through August 2021, is \$540 for an individual account and \$1,080 for a family account. This is based on available funding and could change on September 1, 2021.

### It's different from the TexFlex health care flexible spending account (FSA)

You may be familiar with the TexFlex health care FSA. With the TexFlex health care FSA, all the money you choose to contribute is available to help pay for eligible expenses on the first day your benefit is effective.

An HSA works differently. Money grows in your HSA as you (and the State of Texas) deposit money into it. You can use your debit card or online bill pay for qualified expenses only if you have enough money in the account to cover the cost.

While you are growing your HSA savings, you may pay for a qualified medical expense out of pocket. You can reimburse yourself from your HSA later, after you have enough money in your account. Remember, though, that you can only reimburse yourself for qualified expenses you incur after you open your HSA.

### You can't contribute to both an HSA and the TexFlex health care FSA

IRS rules don't allow you to participate in both an HSA and a health care FSA. Instead, you'll have the option to enroll in a TexFlex limited-purpose flexible spending account (FSA). Money in a limited-purpose FSA can be used only on qualified vision and dental expenses. If you enroll in a TexFlex limited-purpose FSA, you can elect an annual contribution from \$180 up to the IRS-set per-family maximum.

HSA participants aren't required to enroll in a limited-purpose FSA. If you don't enroll, but currently participate in the TexFlex health care FSA and have a balance of \$25-\$500 after August 31, a limited-purpose FSA will be opened for you, and your health care FSA balance will be rolled over.

If you have less than \$25 in your TexFlex health care FSA and choose to enroll in a TexFlex limited-purpose FSA, those funds will roll over to your limited-purpose FSA. If you have less than \$25 in your TexFlex health care FSA and choose not to enroll in a TexFlex limited-purpose FSA, you will forfeit the money left in your TexFlex health care FSA.

### Keep your receipts

Save all your receipts for qualified medical expenses. If the IRS asks, you must be able to prove that you used your HSA money only to pay or reimburse yourself for qualified medical expenses.

### Paying with your HSA is easy

- Use your debit card to pay at the pharmacy, doctor's office or elsewhere. You can also order extra cards for covered family members.
- Pay your bills for qualified medical expenses online at [optumbank.com](https://optumbank.com).
- Pay out of pocket and reimburse yourself. You can do that online or by withdrawing money with your debit card from any ATM with the Mastercard® logo.

Optum Bank and ERS will not verify that your expenses are eligible to be paid from your HSA. It's up to you to ensure you pay or reimburse yourself only for eligible expenses.



