



Cypress BENEFIT ADMINISTRATORS

HEALTH SAVINGS ACCOUNTS

Cypress is pleased to offer Health Savings Account (HSA) benefit option for Food Industry Employers. Western Grocers Trust asked that we design an effective option in response to increasing interest from our members.

An HSA is an innovative tool approved by Congress to help employers and employees gain control over the increasing costs and limitations of traditional health insurance. It allows participants to use a tax preferred savings account, in combination with a high deductible health plan to pay many of their own health expenses directly with tax free dollars. And the best part; unused funds can be saved for future years' expenses, or as an additional retirement account after age 65.

Cypress makes it simple for Food Industry Employers to take advantage of this new opportunity! We do all the work of setting up and administering your plan so all you have to do is choose when you want to use a provider's service and how much money you want to save! We teamed up with the nation's leading provider of HSA banking services ~ HSA Bank ~ to ensure our members get the best support possible. (see www.hsabank.com for more info)

For more information, see the attached Question & Answer form, or feel free to call us!

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Clackamas, OR 97015
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HEALTH SAVINGS ACCOUNTS

Your Questions Answered

What is an HSA?

A Health Savings Account, or HSA, is a tax-exempt account with a financial institution in which your own funds accumulate to pay for medical expenses. HSAs were created in response to the rising cost of health care in order to give consumers control of their health care costs as part of a movement towards consumer-driven health-care. HSAs also give financial incentives for employers of all sizes to provide health insurance and individual consumers to have health insurance. HSAs allow you to enjoy tax reductions while having affordable health insurance premiums.

There are two parts to the HSA concept. ❶ A qualified High Deductible Health Plan (HDHP) to provide medical benefits for the individual or families, and ❷ An authorized Financial Institution to provide individual savings accounts for participants to save and withdraw their funds from. The new plan offered by Western Grocers qualifies as an HDHP as authorized by the Federal Government. And our relationship with HSA Bank makes available one of the most respected Financial Institutions specializing in providing savings accounts for HSA Plans.

Why do employers use HSAs?

Tax advantages

All contributions to the account are made with pre-tax dollars, further reducing Payroll Taxes.

Cost savings

Studies indicate that when employees pay for their own medical expenses through an HSA, they are more likely to reduce the number of visits for non-essential services under the health insurance policy portion of the plan. This may reduce your cost for insurance coverage over time. And, the flexible nature of these plans can allow employers to reduce the underlying insurance they must buy.

Value to employees

Employees appreciate making their own choices and HSAs provide a sense of broader coverage due to the many choices they have. The rollover of savings from year to year is perceived as an added benefit by employees.

Flexibility

The HSA plan is especially suited for employers who want more control over their benefits package structure.

Own Benefit

Employers also participate in their own plan allowing more choices for medical service and the potential of long term accumulations of funds.

What is the Value to Employees / Participants?

Tax Advantages

- ❶ Qualified Health Savings Accounts are tax-deductible, tax-deferred and tax-free:
 - Tax-deductible** – Contributions to your HSA are able to be deducted from your gross income.
 - Tax-deferred** – HSA funds grow without being subject to taxes until they are used for non-eligible medical expenses.
 - Tax-free** – The funds in an HSA are completely tax-free when used for eligible medical expenses.
- ❷ Funds rollover from year to year, and funds used after age 65 are able to be used tax-free for eligible medical expenses or at your normal tax rate for any other reason.
- ❸ Over the life of your Health Savings Account, you could save thousands of dollars in taxes.

Control over choices

You decide when to go to the doctor, which doctor you want to see, and how much you are willing to pay for providers not covered in the underlying insurance policy.

Enhances benefits

Employees should see these plans as a major improvement over conventional benefit plans.

Transportability

If an employee leaves their job, their HSA and the previously made contributions go with them.

How are the Benefits different?

This plan was designed specifically to be helpful to Food Industry Employers. The medical benefits are the same menu of benefits we have offered for years; only with a \$2000 or \$4000 deductible option to make it work in conjunction with the HSA model. The plan still includes options for choice of physicians, co-pays, and the traditional 80/20 benefit provisions.

What are the costs?

There are two areas of cost for these plans;

- ❶ The high deductible Health Plan premiums, and
- ❷ The Bank Fees for HSA Bank

❶ Banking Services Provided by HSA Bank

Basic Fees ~ Estimate Per Employee

Set-up Fee One time charge	\$ _____ per employee
Monthly Service Fee	\$ _____ per employee

See HSA Bank Agreement for a complete listing of fees.

❷ High Deductible Qualified Medical Plan

Provided by WESTERN GROCERS EMPLOYEE BENEFITS TRUST

PPO HSA Plan - \$2000/\$4000 Deductible				
Employee	\$385	\$480	\$654	\$385
Spouse	\$424	\$528	\$654	\$385
Child(ren)	\$328	\$407	\$328	\$328
Spouse + Children	\$751	\$935	\$982	\$713
PPO HSA Plan - \$4000/\$8000 Deductible				
Employee	\$313	\$393	\$535	\$313
Spouse	\$346	\$431	\$535	\$313
Child(ren)	\$267	\$334	\$267	\$267
Spouse + Children	\$613	\$765	\$801	\$580

What medical expenses qualify for reimbursement?

One of the beauties of this plan is that medical services are defined much broader than the medical insurance plan. Things you can pay for through your HSA include, Over-the-counter medications, Well Care visits, Massage, Chiropractic, Naturopathic, Preventative Scans, etc... There is no limit to how much you can spend for these broader qualified services except for the annual deductible limit.

Note: A complete listing of qualified medical expenses is listed in IRS Publication # 502.

How much can I contribute each year?

Each participant can contribute up to 100% of the deductible from the qualified health insurance policy. For plans from your Trust, this amounts to either \$2000 or \$4000 and can be prorated for mid-year enrollment.

Can employees contribute directly to the savings account?

Yes, both employers and employees can make contributions to the account up to the qualified limit at any time during the year. It works very much like a bank account.

How does the reimbursement process work?

Participants are provided two options to draw money from their accounts for medical expenses; 1) a "Debit Card" that they can pay direct with, or 2) a reimbursement request form they can mail in. HSA Bank administers this for participants in a way that is simple and easy to understand, or 3) Employees may elect to have their own special checks just for this purpose.

What kind of records do I have to keep?

Each participant reimburses themselves after incurring a medical related expense. Just like any Tax record, you are expected to keep expense receipts in the event of an IRS audit.

Can I start an HSA mid-year?

YES! With our plan, we can convert you at any point during the year and simply transfer any existing deductible information to the new plan.

Who handles the money?

Cypress(WBI), our Trust administrator will handle both your medical plan and the HSA so you have the benefit of keeping everything in one place with only one call to make if you have a question. Their involvement assures faster and more accurate processing. WBI has selected HSA Bank to provide the savings account portion of the plan. HSA Bank is one of the nations leading providers of qualified Savings Account services, and is **FDIC insured** through their parent company, Webster Bank., NA

What if I start one and then want to cancel next year?

Each plan year you have the choice to continue the plan or to convert back to a traditional plan if that better suits your needs.

What happens to the money if I don't use it?

It will always be your money to use for medical related expenses for your lifetime. If money is in your account after age 65 you can use it for medical costs, or treat it like an IRA and pay current tax on any money you choose to withdraw.

How do I get more information?

Call us, write us, or email us, and we will send you a complete packet providing more details and instructions to start your HSA plan.

See the "Request for Information" enclosed.

You can also visit the web site offered by HSA Bank at www.hsabank.com to learn more details about the reimbursement process.

REQUEST FOR MORE INFORMATION HSA PLANS

Yes, I would like more information on how Health Savings Accounts *(HSA) can help *improve my benefits* plan and *reduce our costs.*

Business Name _____ Contact Name _____

Total Number of Employees receiving Benefits Number in OR Number in WA Number in AK

Mailing Address _____ City _____ State _____ Zip _____

Phone _____ Fax _____ Email _____

**Fax your request to
Fax Number: 503.968.2817**

Or, SIMPLY CONTACT

Cypress Benefit Administrators
P.O. BOX 22185
Portland, OR 97269
800.777.3602