CareFirst BlueFund

Health Savings Account (HSA) Member Guide

Contents

Why CareFirst BlueFund HSA?

CareFirst BlueCross BlueShield and CareFirst BlueChoice, Inc. (CareFirst) offer BlueFund plans to give you more control over your health care dollars. CareFirst BlueFund plans combine a high-deductible health plan (HDHP) and a health savings account (HSA).

What is a high-deductible health plan (HDHP)?

A high-deductible health plan is a health insurance plan that is eligible for an HSA and has a higher deductible than a traditional health plan. Per Internal Revenue Service (IRS) requirements, you can only contribute to an HSA if you have chosen an HDHP.

With a BlueFund HSA, you'll benefit from:

No out-of-pocket costs for preventive care

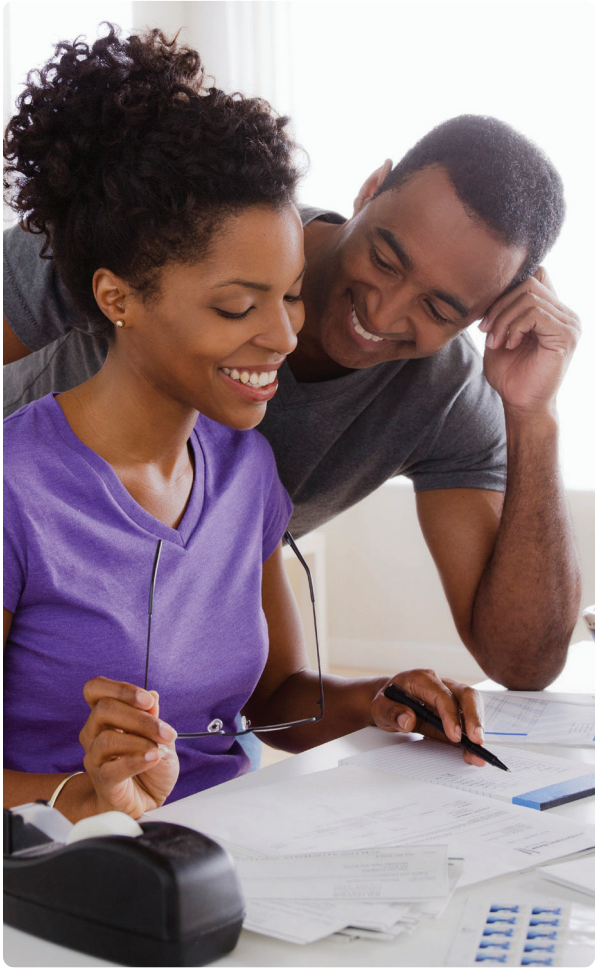
- You don't need to meet your deductible before you receive care. These visits are 100% covered by CareFirst.

Tax savings

- Funds are taken from your paycheck before taxes, lowering your taxable income.
- Payments and reimbursements for eligible out-of-pocket medical expenses are not taxed.
- You earn tax-free interest on your account balance.

Online access

- It's easy to manage your HSA 24/7.



BlueFund HSA Facts

What is an HSA and how does it work?

A health savings account (HSA) is an individual savings account that you own. With an HSA, you can save money for current and future eligible health care expenses and can use the funds for yourself and your eligible dependents.

Both you and your employer can contribute to your HSA. Funds deposited into your account stay there until you spend them. Funds can also be saved and used in retirement.

Who is eligible for an HSA?

- You must be enrolled in an HDHP.
- You cannot be covered under a non-HDHP.
- You cannot be claimed as a dependent on someone else's taxes.

How does an HSA benefit me?

- **Rollover**—Unused funds roll over year to year for future expenses.
- **Ownership**—You own the HSA even if you change jobs, health plans or retire.
- **Flexibility**—You can spend HSA funds now or save them for retirement.
- **Convenience**—Online access lets you manage your HSA 24/7.

How is an HSA funded?

You can make HSA contributions through pre-tax payroll deductions or post-tax contributions—both reduce your taxable income. Your employer can also choose to contribute money to your HSA.

What expenses can be paid from an HSA?

Any out-of-pocket and unreimbursed medical expenses allowed under section 213(d) of the Internal Revenue Code can be paid with HSA funds. This includes prescription drugs, lab tests and more.

How do I pay for qualified expenses?

You'll receive a CareFirst BlueFund Visa® Debit Card in the mail. This debit card is accepted by all health care merchants who accept Visa. It can be used whenever you're paying for care or after you receive care.

How can I manage my account online?

Visit **carefirst.com/myaccount** to:

- Pay claims
- Deposit funds
- Store documentation and receipts
- Reorder debit cards
- View account balances

What documentation should I keep?

HSAs are tax-reportable and require documentation for withdrawn funds (such as a receipt or Explanation of Benefits) to prove that funds were used for an eligible medical expense. The IRS may require documentation for any HSA distributions. Health care receipts should include:

- Name of provider or merchant
- Description of service or product
- Date of service
- Amount paid

Prefer to access your documents online? Log in at **carefirst.com/myaccount**. Go to your BlueFund HSA, hover over *My Profile* and click *My Records and Receipts*, where you can upload and store your digital receipts.

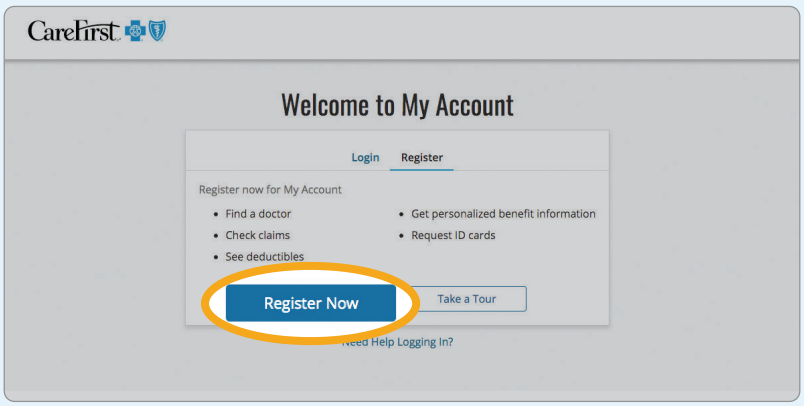
Please note: A BlueFund HSA does not require you to submit documentation, but you should keep it in the event of an IRS audit.

The CareFirst BlueFund Visa Debit Card is issued by The Bancorp Bank, Member FDIC, pursuant to a license from Visa U.S.A. Inc. Cards may be used only at merchants in the U.S. and District of Columbia wherever Visa debit cards are accepted for eligible expenses. See Cardholder Agreement for details.

How to Access your BlueFund HSA

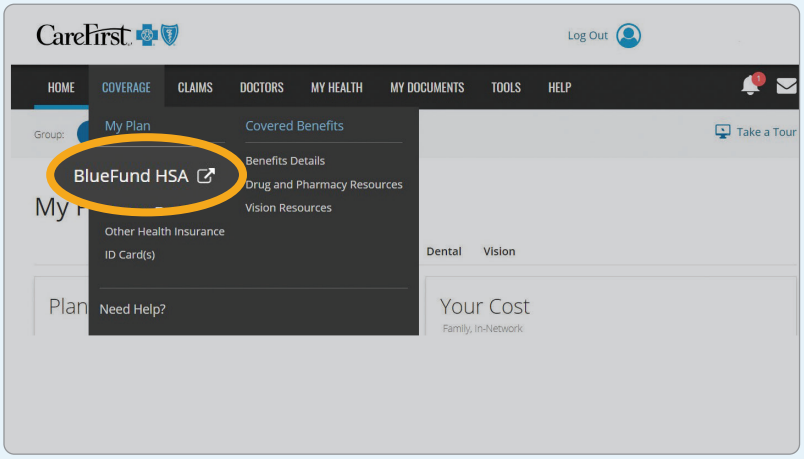
CareFirst makes it easy to manage your health care spending. As a member of a BlueFund HSA, you can access and manage your account online by following the steps below:

Step 1: Log in or register at **carefirst.com/myaccount**. To register, click *Register Now.* Then enter your CareFirst member ID number and click *Continue* to create a username and password.



Step 2: Under the *Coverage* tab, click *BlueFund HSA* to:

- Pay claims
- Deposit funds
- Store documentation and receipts
- Reorder debit cards
- View account balances



HSA Contribution Limits

Each year, the IRS sets new maximum contribution limits for HSAs. Contributions include funds that you, your employer or another party contributes. Contributions cannot exceed the maximum set for that plan year. For example, if your plan year begins in December 2021, you cannot exceed the maximum IRS limits set for 2021.

Contribution maximums are set at the individual and family level. If you're enrolled in an individual HDHP, you can contribute up to the established individual maximum. If you are enrolled with family coverage, you can contribute up to the family maximum.

Maximum contribution limits

Tax Year	Individual Limits	Family Limits
2021	$3,600	$7,200
2022	$3,650	$7,300

Catch-up contribution

If you are over age 55, the IRS will allow you to make up a "catch-up" contribution in addition to the established maximum for that calendar year.

Excess contributions

Contributions exceeding IRS limits are considered excess contributions. These may be subject to IRS taxes and penalties. It's up to you to keep track of the funds deposited into your HSA. You may withdraw excess contributions during the year if they are processed before the IRS tax deadline.

What if I have more than one HSA?

If you have more than one HSA, the total contributions for the combined accounts cannot exceed the IRS annual contribution maximum for that taxable plan year.

What if my spouse also has an HSA?

If your spouse has an HSA and you're enrolled in an individual HDHP, you cannot contribute more than the individual contribution maximum for that calendar year.

If you are enrolled in the HDHP with family coverage and your spouse has their own HSA, you cannot contribute more than the family contribution maximum to those two accounts for that calendar year.

When can I contribute to my HSA?

You can make contributions to your HSA in one lump sum or in a series of payments throughout the year. You can do this through a payroll deduction or a post-tax deposit/contribution.

What if I didn't have an HDHP for the entire calendar year?

Your contribution limit may be prorated based on the number of months you had coverage.

Can my spouse make a catch-up contribution if they are over 55?

Yes; however, they need to have their own HSA. They cannot make catch-up contributions to your HSA.

I'm enrolled in the HDHP with individual coverage. Can I use my HSA for my dependent's qualified medical expenses?

Yes, but you must claim them as a dependent on your taxes to use HSA funds.

How to Contribute to your HSA

As a BlueFund member, you can contribute to your HSA in several ways. When you're enrolled in the HDHP, BlueFund creates your HSA. Then you'll receive a welcome kit to help you activate your account. Either you or your employer must contribute funds to activate the HSA. You cannot be reimbursed for any expenses occurring before your account's activation. Once your HSA is activated, the money can be used to pay for eligible health care expenses.

Below are three ways to make contributions:

Set up direct deposit from your paycheck

This contribution happens before taxes are taken out of your paycheck. Contact your benefits administrator to set up direct deposit to your HSA.

Make a one-time deposit

One-time online deposits go straight from your personal bank account into your HSA and qualify as a deduction on your tax return.

1. Log in or register at **carefirst.com/myaccount**.
2. Click the *Coverage* tab at the top of the screen, then click BlueFund HSA.
3. In the *I Want To..* section of the page, click *Make a Deposit.*
4. Enter the amount you want to transfer and click *Next*.
5. Choose the bank account where the funds will be withdrawn.
6. Enter the date of the funds transfer.
7. Enter the tax year for the transfer.
8. Agree to the terms and conditions for making a deposit.
9. Click *Make Deposit.*

Schedule a recurring deposit

You can make recurring deposits from a personal bank account and choose both the deposit amount and date for each month's deposit. The total of these contributions within the calendar year qualifies as a deduction on your tax return.

1. Log in to *My Account* and click the *Coverage* tab, then click *BlueFund HSA*.
2. In the *I Want To..* section of the page, click *Make a Deposit.*
3. Enter the amount you want to transfer and click *Next*.
4. Select the bank account where the funds will be withdrawn.
5. Choose which day of the month you'd like to initiate the deposit.
6. Agree to the deposit terms and conditions.
7. Click *Make Deposit.*

Investment Options for your HSA

The money you contribute to your HSA grows and earns interest at the rate included with your HSA plan type. Investment accounts are self-directed and self-managed—you choose where, when and how much to invest.

Please note: You must maintain a $1,000 base balance (minimum) to open and manage an investment account.

What HSA investment options are available?

There are three ways to invest your HSA funds:

- **Base Balance**—If you choose, you can leave the entire HSA balance with our vendor, Further, where it earns interest.
- **Basic Investment Account**—Once an HSA base balance exceeds $1,000, you can open a self-directed basic investment account. This gives you access to more than 30 mutual funds. At least $1,000 must be kept as the base balance of the HSA at all times.
- **Charles Schwab Broker Investment Account**—When the basic investment account balance exceeds $10,000, you can open a self-directed brokerage investment account with Charles Schwab. This account gives you access to more than 2,500 mutual funds from a variety of families, as well as stocks, bonds and other investments.

Base Balance

Your funds will be deposited into the base balance account. While some banks calculate interest based on the balance and rate in each balance tier, CareFirst keeps it simple. Employees earn the stated rate on the entire account base balance.

Account Type	Available Funds	Annual Account Service Fee
HSA	Funds in the base balance earn interest. Members may leave all funds in the base account.	None

Account interest crediting rates for HSA accounts

	Select (SelectSaver)	Value (ThriftSaver)
$0–$2,499	0.05%	0.05%
$2,500–$9,999	0.07%	0.10%
$10,000–$14,900	0.07%	0.10%
$15,000–$24,999	0.10%	0.15%
$25,000 or greater	0.10%	0.20%

Please note: Interest rates and balance tiers are subject to change without notice.

Basic Investment Account

When your account base balance exceeds $1,000, you have the option to activate a basic investment account. This account gives you access to mutual funds from the Schwab's Mutual Fund OneSource Service. You also have access to online resources and tools once you create an investment account.

The mutual funds available for this account are selected by Devenir LLC, a registered investment advisor.

Account Type	Available Funds	Annual Account Service Fee
Basic Investment Account	When the base balance exceeds $1,000, you have the option to invest the amount over this threshold in a variety of pre-selected mutual funds.	An additional $18 per year, this fee is paid out of the Basic Investment Account.

Schwab self-directed brokerage investment account

When your account balance exceeds $10,000, you can open a Schwab self-directed brokerage investment account. This account gives you access to more than 2,500 mutual funds from a variety of fund families, as well as stocks, bonds and other investments. You also have access to planning tools to help you manage and analyze your investments.

Account Type	Available Funds	Annual Account Service Fee
Self-Directed Brokerage Investment Account	When the basic investment account exceeds $10,000, you have the option to invest the amount over this threshold in a wider range of mutual funds, as well as stocks, bonds and other investments.	An additional $18 per year, this fee is paid out of the Self-Directed Brokerage Investment Account.

Annual fee

There is an annual investment account service fee of $18 if you elect the basic investment account or the brokerage investment account. This fee, deducted from your investment account, is only deducted when your investment account has a balance. This fee is not cumulative. If you have both types of investment accounts, you will only pay one $18 fee.

Schwab Self-Directed Brokerage Investment Account fees

- The Schwab standard brokerage commission schedule applies to all account transactions.
- Applicable commissions and execution fees are deducted from the investment account balance.
- Account holders pay standard transaction fees for trades made through their account.
- Short-term redemption fees may apply for fund units sold within the timeframe listed in the fund's prospectus. Refer to the fund prospectus to determine if redemption fees apply.

Mutual fund fees and charges

Before you invest in a mutual fund, be sure to read the fund's prospectus carefully. It contains information such as management fees, charges and expenses.

Note: Mutual funds invested as part of the basic investment account are not subject to an initial sales charge.

Redemption fees

Some mutual funds may impose redemption fees up to two percent of the redemption process to discourage short-term trading. If a redemption fee is charged, it's paid to the fund and intended to offset portfolio transaction costs, market impacts and other costs associated with short-term trading.

12b-1 fees

Mutual funds available through Schwab's Mutual Fund OneSource Service may charge 12b-1 fees (this is included in the fund's prospectus).

A 12b-1 fee is a fee that a mutual fund company pays from fund assets to cover administrative services such as record keeping and shareholder services. It also compensates those who distribute the fund's shares.

Schwab mutual fund fees

Schwab receives payments from the mutual fund companies participating in Schwab's Mutual Fund OneSource Service for record keeping, shareholder services and other administrative services.

Plan expense payments

Plan expense payments are used to offset investment account expenses for custodial and investment advisory services. Schwab may make plan expense payments to the record keeper for the investment accounts, administrative and record keeping services.

CareFirst receives none of the monthly investment account services fees, plan expense payments or investment account transfer fees.

How do I open a Basic Investment Account or a Charles Schwab Brokerage Investment Account?

Both can be opened online:

1. Log in to your BlueFund HSA at **carefirst.com/myaccount**. See page 5 for instructions.
2. Access the *Investments* section located on the left-hand menu.
3. Choose the type of investment account and follow the setup prompts.

How to Save for Retirement with your HSA

An HSA is one of the best ways to save money for medical expenses during retirement. Like IRAs, HSAs allow you to make tax-free withdrawals to pay for eligible medical expenses. Withdrawals can be made before and after age 65.

Many people are unprepared for the medical expenses they may face after retirement. HSAs allow you to be proactive and prepare for future health care emergencies.

HSA savings strategies

Strategy 1: Max out your HSA at the beginning of the year

Although you have until April 15 of the following year to make HSA deposits, contributing the maximum dollar amount at the beginning of each year gets you the full advantage of tax-free growth. Because funds earn interest over the entire year, you're able to make the most of your money. The extra interest you earn by contributing on January 1 of each year can make a big impact over 20 years or more. Family coverage can grow the account even more because of the higher contribution limit.

Strategy 2: Keep funds in the HSA

You don't have to get reimbursed for medical expenses right away. You can reimburse yourself at any time, even years later. Because there's no "use it or lose it" rule, all funds stay in your HSA.

- **Pay medical expenses out of pocket**—It may make sense to pay for certain medical expenses out of pocket. This way, you can have all your HSA funds available when you need them most.
- **Delay reimbursement**—By leaving money in the HSA, your balance grows over time. You earn interest on the base balance and can access those funds if a large or unexpected expense arises. Be sure to keep receipts, prescriptions and other expense documentation in the event of an IRS audit.
- **Defer reimbursement until the end of the year**—At the end of the year, you can reimburse yourself from the balance funds for expenses from earlier in the year. Be sure to keep receipts, prescriptions and other expense documentation in the event of an IRS audit.
- **Save your receipts**—As long as receipts are saved, you can withdraw money from the account tax-free in the future to be reimbursed for expenses.

Strategy 3: Invest HSA funds

The money in an HSA grows and earns interest over time if you make the annual maximum contribution. You can use your HSA to maximize tax-advantaged retirement savings.

Medicare and HSAs

When enrolled in Medicare, you can use your HSA to pay for expenses. However, you can no longer contribute to an HSA. It's important to understand how Medicare affects an HSA.

Questions? We're here for you. Call 866-758-6119, Monday–Friday 8 a.m. to 9 p.m. or Saturday–Sunday 9 a.m. to 5 p.m. You can also send an email to carefirstsolutions@hellofurther.com.

Frequently Asked Questions

HSA investment options

Q: Are my investment accounts part of my HSA?

A: While the basic investment account and the brokerage investment account are in the Charles Schwab Trust Company's custody, they are not part of your CareFirst HSA. CareFirst does not pay interest on the investment accounts.

Q: How can I direct future contributions into my Basic Investment Account?

A: You can send future HSA contributions to mutual fund investments at **carefirst.com/myaccount**. You'll find various options to control or manage the flow of contributions to the mutual fund(s) you choose. Generally, you can elect to have all or part of your future contributions flow directly into select investments in your account. If your base balance falls below $1,000, your future contributions will be used to rebuild your base balance. Any later contributions will be invested based on your elections.

Q: How do I request a withdrawal when I have an active investment account?

A: Account withdrawals are always paid from your base balance. If there are not enough funds in your base balance to pay a claim, the claim will stay pending for 12 months or until more funds are available. Funds are not automatically withdrawn from an active investment account. To pay for pending claims, funds must be paid from new contributions or by transferring funds from your investment account to your base balance.

Withdrawals will be taken proportionally (pro rata) from the mutual funds you have invested if you have selected the proportional transfer option (the only option for the basic investment account). Otherwise, Schwab brokerage accounts will move the money (cash to transfer) into a self-directed account. You will need to select the fund(s) and amount(s) you want to sell to fund your withdrawal.

Retirement, Medicare and HSAs

Q: My spouse and I turn 65 this year and will sign up for Medicare. Can we still use the money in our HSA?

A: Yes. Although you can't contribute to an HSA after enrolling in Medicare, you can keep the account and use HSA funds tax-free for eligible medical expenses. HSA dollars can be used for a broad range of medical expenses, including premiums for Medicare Parts A, B and D (prescription drugs) and Medicare Advantage plan premiums. You may also pay qualified long-term care premiums with these funds. HSA funds cannot be used tax-free to pay Medicare Supplement or Medigap premiums. Remember, you will owe taxes on any withdrawals for non-eligible medical expenses.

Q: I am turning 65 soon and will enroll in Medicare at that time. How much can I contribute to my HSA for the year?

A: Once you (the account holder) are enrolled in Medicare, you must pro-rate the contributions for the year that coverage begins. Medicare coverage starts on the first day of the month in which you turn 65. Take the allowed contribution for the year (including any catch-up contributions) and divide by 12. For example, if you turn 65 in April, you are eligible to contribute from January to March. Multiply the monthly amount by three to get the maximum allowed contribution amount.

Q: Do I have to make all contributions before my 65th birthday?

A: No. Contributions can be made until the tax filing deadline, typically April 15.

Q: I am married and covered by a family HDHP with an HSA. My spouse is enrolled in Medicare, but also covered under the family HDHP. Can I still contribute to the HSA?

A. Yes. HSA contribution eligibility is determined by your status as the HSA account holder, not the account holder's dependents. Your spouse on Medicare does not disqualify you from making contributions to your HSA, even though your spouse is also covered by the HDHP.

Q: I am enrolled in Medicare and have money remaining in my HSA. What happens to these funds?

A: You can continue to use HSA funds on a tax-free basis for eligible medical expenses for yourself and your tax dependents. If you (the account holder) are over the age of 65 and the money is withdrawn for non-medical expenses, it is subject to income tax.

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