

Health savings account (HSA) administered through Kaiser Permanente

Funds from an HSA can be used by eligible employees to pay for any qualified expenses as defined in IRS Publication 502, *Medical and Dental Expenses*.

HSA effective date

When offered with a Kaiser Permanente HSA-qualified plan, an HSA administered through Kaiser Permanente can be made effective on the first of any month. Account holders should speak to their tax advisor to discuss the IRS's annual maximum contribution limits based on their marital status, enrollment month, and other factors that may affect their maximum annual contribution.

Enrollment structure

When an HSA administered through Kaiser Permanente is offered, 2 enrollment units or subgroups will be set up for the associated HSA-qualified plan. Employers will enroll their employees into one of these 2 enrollment units or subgroups to allow Kaiser Permanente to distinguish between employees who are choosing the HSA-qualified plan and HSA administered through Kaiser Permanente (opt-in) versus those who are choosing the HSA-qualified plan only (opt-out).

Employers are responsible for confirming their employees' intention to choose an HSA administered through Kaiser Permanente before enrollment in the HSA-qualified plan and for placing employees into the correct enrollment unit or subgroup. A Social Security number must be provided for all employees who are choosing the HSA administered through Kaiser Permanente. Details on the enrollment file setup will be provided during the setup process.

Note: Employers who want to set up multiple locations or divisions with separate funding or billing sources for their HSA should discuss this with their Kaiser Permanente representative before the setup process, since this will impact enrollment structure and account setup reporting and timing if changed during the setup process.

HSA fees, funding, and contributions

Monthly administrative fee

The monthly administrative fee is \$3.25 per account per month. This fee is paid by either the employer or account holder. The employer will indicate who will pay the fee during the setup process.

The monthly administrative fee is waived for the following month when the average daily account balance for any month reaches \$2,000 or more. See **Banking arrangements** for details on how the monthly administrative fees are charged.

The monthly administrative fee will begin to be assessed when the account holder is enrolled into the opt-in enrollment unit or subgroup of the associated HSA-qualified plan. See **Enrollment structure**.

Setup fees

Standard setup: No fee

Nonstandard/custom setup: Setup fees for a custom or nonstandard HSA setup will be determined based on the customer's specific request. Any request for an option or capability not presented in this document will be considered a custom or nonstandard request.

Banking arrangements

Kaiser Permanente Health Payment Services manages employer-paid monthly administrative fees and payroll withholding contributions to the HSA via Automated Clearing House (ACH) transactions. During the setup process, the employer will complete and sign an ACH form to indicate which bank account they would like to have the ACH transactions debited from.

HSA monthly administrative fees are charged during the month of the HSA administrative services and are debited on the business day on or after the 27th of each month. When fees are paid by the employer, the employer will receive an "Employer Fee Funding Notification" email, usually 24 hours before the ACH transaction. These reports can be used to reconcile their account. If the monthly administrative fees are paid by the account holder, the fees will be debited from the account holder's HSA.

HSA funding methods

An HSA can be funded by the employer, the account holder, or an external party in a variety of ways:

- Account holder payroll withholdings
- Check contributions
- E-contributions through an online bank transfer
- Earned wellness contributions
- One-time or recurring employer contributions

See **Employee account activation** for more details on when account holders can start using HSA funds.

HSA contribution file submission

HSA contributions made through payroll withholdings or by the employer are submitted through a contribution file provided to Kaiser Permanente Health Payment Services by the employer or its designee. The contribution file indicates the applicable employees and contribution amounts for any specific period. Typically, the timing of the contribution file submission is tied to the employer's payroll schedule. However, the schedule can be customized by the employer or a third-party administrator (TPA).

Contribution file provider:

- Employer group
- Third-party administrator (TPA)

Contribution file type: The contribution file is sent in one of these formats, which will be determined during the setup process:

- **CSV file format:** This file is uploaded to the Employer Administration Portal.
- **SFTP:** Available to employer groups with 200 or more employees. This file is uploaded to a Secure File Transfer Protocol (SFTP) site provided to the employer during the setup process.

Wellness contributions

Employer HSA contributions made as a result of an employee completing wellness activities are submitted through a separate contribution file provided to Kaiser Permanente Health Payment Services. The contribution file indicates the applicable contribution amounts for any specific period.

Contribution file provider: The wellness contribution file can be sent by any of the following parties:

- Employer group
- Kaiser Permanente Workforce Health
- Wellness administrator
- Third-party administrator (TPA)

Contribution file type: The wellness contribution file can be sent in the following formats. The appropriate format will be determined during the setup process:

- **CSV file format:** This file is uploaded to the Employer Administration Portal.
- **SFTP:** Available to employer groups with 200 or more employees. This file is uploaded to a Secure File Transfer Protocol (SFTP) site that would be provided to the employer during the setup process.

Employer reporting

The reports below are available to all Kaiser Permanente employer groups via the Employer Administration Portal. Access to these reports will be discussed during the setup process.

HSA Account Detail Report

The HSA Account Detail Report gives an overview of each account holder's HSA along with individual payroll deduction and employer contribution details at a tax-year or year-to-date level.

Reconciliation by Batched EFTs Report

The Reconciliation by Batched EFTs Report shows a summary and detail of all transactions from the employer's bank account associated with the HSA.

ACH Based Employer Funding Report

The ACH Based Employer Funding Report shows all HSA transaction data for payroll deductions, employer contributions, and wellness contributions.

HSA Employer Summary Report

The HSA Employer Summary Report provides an account summary of the balances and other statistics for the employer's HSA.

If additional reports or reporting data are needed, employers can contact Kaiser Permanente Health Payment Services to submit a request.

The setup process

Time frame: Once an employer chooses the HSA administered through Kaiser Permanente, we can begin the setup process. During setup, the employer will receive all required forms and agreements that need to be signed. They'll also be guided on where and how to send eligibility and contribution files for the HSA. If the employer completes all the setup steps on time, account holders can expect to receive welcome letters and health payment cards about 20 business days after Kaiser Permanente gets the required forms and agreements. Employers with a January 1 effective date can expect a time frame of 45 business days.

Required forms:

- Design Guide
- Administrative Services Agreement for Employment-Related Financial Account Programs
- Administration and Recordkeeping Services for Health Savings Accounts (HSAs)
- Administrative Fees Applicable to Health Savings Accounts (HSAs)
- ACH form

HSA balance transfer/rollover

Account holders with an existing HSA who want to transfer or roll over their existing HSA balance to their new HSA administered through Kaiser Permanente will be provided with the Direct Rollover/Transfer Form. This form will give instructions for authorizing Kaiser Permanente to receive a transfer of assets directly from the existing HSA custodian, or for the account holder to make a rollover using a mailed check. The form can be sent by the employer, requested from Kaiser Permanente Health Payment Services, or downloaded by account holders on the Health Payment Online Portal.

Account holder fund access

Account holders will only have access to the funds that have been contributed into and posted to their account to date. See **Employee account activation**.

Health payment card: All account holders will get a Kaiser Permanente health payment card. This debit card is the most convenient way for employees to use their HSA funds to pay qualified expenses when getting care or when they get a bill. Account holders are responsible for confirming that funds from the HSA are used for qualified medical expenses.

If an account holder pays out of pocket for qualified expenses, they have the option of requesting distributions from their HSA using the electronic or paper reimbursement option:

Electronic reimbursement: Account holders can use the Health Payment Online Portal or KP Balance Tracker app to request a distribution. Both tools are available to all account holders whether or not they have single sign-on access at kp.org.

Paper reimbursement: Account holders can use the HSA Distribution Request Form to submit requests by fax, mail, or email. This form can be downloaded from the Health Payment Online Portal or requested by calling Kaiser Permanente Health Payment Services.

Account holder investment options

When the average daily account balance in an account holder's HSA reaches, and is maintained at, \$2,000 for any month, the account holder will be eligible to invest amounts above their \$2,000 balance into their choice of available mutual funds. Funds above the \$2,000 balance can be set to automatically sweep into the account holder's mutual fund selection(s). Account holders can manage their investment account at kp.org/healthpayment.

An annual investment fee of 0.25% will apply to the account holder's investment account(s). This fee will be debited from the current balance in 4 separate quarterly installments throughout the year. If an account holder closes the HSA before the end of the year, any portion of the investment fee still due will be debited when the account is closed.

As with all investments, mutual funds involve risk. Investments are not FDIC-insured and may lose value. HealthcareBank acts solely as custodian, with any mutual funds being offered and sold through a registered broker-dealer by prospectus only.

Employee account activation

Employees choosing an HSA administered through Kaiser Permanente will be required to pass identity verification and log in to the Health Payment Online Portal to activate their HSA. Contributions will then post to the account, and their HSA setup will be completed.

Activation includes the online acceptance of our HSA terms and conditions as well as electronically signing our HSA Disclosure and Authorization Agreement, which allows us to share the employee's personal information for the purposes of administering the HSA. Any contributions pulled from the employer's account before the account is activated will be pended and unavailable to the account holder until they log in to the Health Payment Online Portal and accept these agreements.

If the online terms and conditions and the disclosure and authorization agreement are accepted in a month later than the month of the employee's enrollment in the HSA-qualified health plan enrollment unit or subgroup associated with the HSA administered through Kaiser Permanente, the monthly administrative fees will be retroactively billed back to the month of the employee's initial enrollment in the health plan. See **Enrollment structure** and **Monthly administrative fee**.

Employees enrolled in the opt-in enrollment unit or subgroup will get a Kaiser Permanente health payment card, which will include a notice advising them to activate their card and log in to **kp.org/healthpayment**, where they can accept the terms and conditions and HSA Disclosure and Authorization Agreement. They'll also get a welcome letter reminding them to log in to their account online.

Account holder account management

Account holders will have many support resources available to them, including the Health Payment Online Portal, where they can manage their HSA and investment account online, and the KP Balance Tracker app, which allows them to manage their HSA from their mobile device.

They also have 24/7 access to a bilingual IVR phone line where they can check their account balance, and the support of a dedicated team of specialists at Kaiser Permanente Health Payment Services. Kaiser Permanente can also provide a variety of educational and support tools to help employees understand and use their health plan and their HSA. Employers can contact their Kaiser Permanente representative to discuss a communication plan.

Employees whose Kaiser Permanente health plan coverage terminates

Employees with an active HSA administered through Kaiser Permanente who terminate from the employer-sponsored HSA-qualified plan can maintain their HSA. However, the way they access their account online will change. The payer of the monthly administrative fee may also change.

- **Health Payment Online Portal access:** Account holders terminating from the employer-sponsored Kaiser Permanente HSA-qualified plan associated with the HSA administered through Kaiser Permanente will lose single sign-on access to their HSA and investment account, if applicable, through kp.org and kp.org/healthpayment. However, their account(s) can still be accessed at **kp.org/healthexpense**, where a new username and password will need to be created. If the employer chooses to extend HSA eligibility to COBRA participants, single sign-on access will remain available for the duration of the account holder's COBRA participation.
- **Administrative fee:** For employers who choose to pay the administrative fee for the HSA administered through Kaiser Permanente, the account holders whose coverage under the associated Kaiser Permanente HSA-qualified plan terminates will have the administrative fee debited from their HSA account balance on a monthly basis following the month of coverage termination. If the employer chooses to extend HSA eligibility to COBRA participants, the employer will continue to be charged the monthly administrative fee for the duration of the account holder's COBRA participation.