

Kereon HSA Executive Summary

Kereon HSA's executive management team designed and implemented the nation's first group HSA plan which became effective on 1-1-04. Additionally, we were invited by the U.S. Treasury to help write the initial HSA guidance for the United States in January of 2004. Our experience and knowledge combined with a commitment to client advocacy brings a winning combination to the individual HSA account holder. Compliance with Federal and State Governmental laws/changes are part of our commitment to the individual HSA account holder. Kereon HSA supplies the right tools and knowledge thus enabling individuals to manage their HSA accounts therefore becoming empowered and engaged consumers of healthcare.

We administrate three types of consumer driven health plans:

Health Savings Accounts ("HSAs"), Health Reimbursement Accounts ("HRAs"), and Flexible Spending Accounts ("FSAs").

- **HSAs:** HSAs are consumer-owned and directed accounts used to pay for permitted health expenses. HSAs allow for both the employer and employee to contribute and companies of any size can establish HSAs.
- **HRAs:** HRAs are accounts established and contributed to by employers for employees to pay permitted health expenses. They are essentially "promises to pay" by the employer using notional credits.
- **FSAs:** FSAs, commonly known as "Section 125 Plans," are accounts established by employees pursuant to a salary reduction agreement with an employer. Up to a maximum set amount, each employee can contribute each year on a pre-tax basis and the employee can then use those "pre-tax dollars" to fund health insurance premiums, HSA account contributions, and permitted unreimbursed medical expenses. The employee must "use or lost it" which may create an artificial incentive to spend additional dollars.

HSAs may be blended with HRAs and FSAs to achieve the maximum tax benefits for employers and employees. Successfully blending these accounts under applicable IRS rules requires careful drafting, deep knowledge of the accounts and quality administration. Kereon HSA's market research indicates that we were the first and remain as one of a few third-party administrators nation-wide with the experience and capability of successfully administering these "blended" tax favored accounts.

From a policy perspective, HSAs and HRAs were created to help stem the tide of spiraling healthcare and health insurance costs. The deployment of HMOs in the late 1980's and early 1990's helped keep the annual percentage growth of healthcare costs and health insurance premiums in the single digits throughout most of the 1990's; however, group insurance premiums have been climbing at alarming rates since the late 90's. Today, many employers in the renewal process are experiencing rate increases of up to 35%. Few would disagree that the state of our healthcare payment system has reached crisis for our government, employers and employees.

There's a lot of buzz in the industry about Health Savings Accounts (HSAs) and how vital they are as a component of the consumer driven plan. Many employers don't realize just how important it is to choose the right HSA custodian and administrator. Kereon HSA will guide you on your plan design and contributions into an HSA for your employees. Employers should not automatically assume operational efficiency but should delve deeper into the arrangement of co-funding the HSA account with their employees. The HSA is an individually owned bank account and is not an integral part of the insurance coverage/policy itself, so choosing Kereon HSA separates you from your health plan yet Kereon HSA coordinates and integrates these two components, i.e. The Employees HSA and your company's High Deductible Health Plan (HDHP) carrier.



Best practices dictate that when looking for a HSA platform for your employee group, you take into account "Best of Breed" solution. Some HSAs are presented as part of a package that appears inherently linked to a bank and carrier in an inflexible way. The best HDHP carrier might not be affiliated with the best bank. The best or biggest Bank might not have the best HSA administrative solution. The HSA is an independent account, and therefore should be modular: a good HSA platform can fit in with any plan, any custodian, and any carrier.

A HSA platform needs integration, but it needs to be able to uncouple itself with the carrier without also breaking the other connections. Kereon HSA's platform has solidity in motion. It provides a strong link between the bank, carrier, and provider to ensure that there is an appropriate level of communication and support for the individual account holder. HSAs are portable and individually owned, and therefore must be able to move with an employee from one plan to the next, or even one employer to the next, so the platform must be flexible enough to move one carrier out and another carrier in. The choice of the bank custodian and platform should not be a by-product of your carrier's high deductible solution. Why? Because a health plan is for a plan year, an HSA is for life.

Are security and compliance issues important? By having Kereon's SAS 70 approved solution, you know that the account data is secure, and the processes by which it is handled have undergone rigorous testing against a national standard. Single sign on portals that can use integration to link the HSA platform to the rest of the employee's plan and benefit information allows for increased ease-of-use. Plans should be interchangeable with your HSA.

Kereon HSA's platform manages contributions from both the employee's pre-tax payroll and employer's contributions. This feature brings connectivity of funds, which easily integrates management alongside a 125 Cafeteria plan. Unless employees are able to set aside money pre-tax from their paychecks, both they and their employers will not be able to reap the full tax saving benefits of having an HSA. Like a 401(k) the HSA is a retirement option, in that funds can be set aside, invested, and collected upon retirement age without tax penalty for non-medical use. The Kereon HSA platform brings ready access to personal financial advisors to help them manage their account and investments

Employees sometimes need experienced customer service representatives to help with their insurance transactions and receipt management, because receipts outlive plan years. Kereon HSA's administrative platform allows employees to store receipts for HSA transactions in a secure online digital vault and include completion of an 8889 for tax purposes. Kereon HSA's technology exists to support this thus there is no reason to settle for less than this from other HSA providers.

Kereon HSA (empowered by HSA^{Today}@technology) has created some helpful tools to put individuals in charge of their own healthcare spending decisions:

[The Claims VaultSM](#)— This patent-pending technology is an electronic repository where you can store your receipts indefinitely.

[Online Access](#)— A secure web portal lets you access and manage your account from your computer.

[Investments](#)— The HSA^{Today}@ Investment Program offers qualified account holders a diverse range of investment alternatives to choose from.



Debit Card— An electronic payment card allows you to access your HSA funds with the swipe of a card.

In the past, people have had to resort to tossing their receipts in shoeboxes, resulting in a jumble of papers in the back of closets all across America. Now, with the Claims VaultSM, you can access your receipts quickly and easily with a few clicks of the mouse.

With the patent-pending Claims VaultSM, expenses incurred today can be reimbursement decades later, allowing you to build up interest tax-free and ensuring that you do not miss out on any of the tax-advantaged benefits of your HSA. HSA^{Today}® is the only solution in the marketplace that offers this service.

Two Claims VaultSM options within HSA^{Today}® are available.

Option 1 ... This option allows you to store your own claims and receipts in the Claims VaultSM and self-attest the validity of your claims OR request personal assistance from your Plan Service Provider for certification of the claims.

Option 2 ... This option provides greater integrity of the data being stored in the Claims VaultSM. A licensed PSP serves as your Personal HSA Assistant by providing certification on all claims. Self-attestation is not available in this option. All claims posted require PSP certification, providing you the peace of mind of knowing all your information is accurate when it comes time to file taxes or if your account is ever audited.

Online Access

Complete Account Management At Your Fingertips

One of the goals of Kereon HSA is to empower you with the tools and information you need to make wise and informed decisions about your healthcare. Therefore, Kereon HSA provides you with a secure web portal for 24/7 access to:

- Account Balances and History
- Online Claims Storage Through the Claims VaultSM
- Deposit & Withdrawal Capabilities
- Important Forms & Documents
- Up-to-Date Payment History
- Recent News and Benefits Updates
- Account Statements
- Investment Options



Investments

The HSA^{Today}® Investment Program offers qualified account holders a diverse range of investment alternatives to choose from, along with four professionally managed model portfolios that support varied investment objectives and risk tolerance.

What Are the Benefits of Investing Your HSA Funds?

Whether you are a current HSA account holder or you are just now enrolling, it's a good idea to consider investing some of your account funds. Here are just a few reasons why:

- **Tax-Free Investments**
 - All contributions and earnings in your HSA are considered tax-free by the IRS and will not be taxed unless you withdraw them for non-medical reasons.
- **Portability**
 - There is no use-it-or-lose-it rule associated with HSAs. HSAs are owned by the account holder and roll over year after year. Even if you change jobs, the money in the account is yours to keep.
- **Flexibility**
 - You can change the amount you want to invest and the way the funds are invested. And you can always access the money in your account if the need arises.
- **Multiple Investment Options**
 - You can pick from one of four investment models or create your very own custom investment portfolio.

Debit Card



Access Your HSA Funds With the Swipe of a Card!

This MasterCard® debit card virtually eliminates:

- Out-of-Pocket Expenses
- Claim Forms
- Reimbursement Checks



The *mySourceCard*™ debit card transfers funds directly from your HSA to qualified providers with no out-of-pocket cost and no need to file a claim for reimbursement.

You can use the *mySourceCard*™ at any qualified service provider that accepts MasterCard® for eligible healthcare expenses to take advantage of:

- Instant access to funds – payment comes directly from your HSA — no more paying cash out of your pocket
- Freedom from virtually all claim forms and reimbursement checks
- Online access to real-time account information — allowing you to check your balance at any time

How Does the Card Work?

For the most part, the *mySourceCard*™ works just like any other debit card, except for three important differences:

- It is limited to specific merchants and eligible expenses.
- You can't use it at an ATM or for "cash back" when making a purchase.
- There is no PIN. When given the option between debit and credit, choose credit.

For more information on *mySourceCard*™, visit www.mysourcecard.com

NOTE: This card is intended to have limited utility. At the request of Benefit Bank, use of this card is authorized for specific types of purchases as set forth in your plan document[s]. It cannot be used at other MasterCard® acceptance locations. No cash access. Datapath Inc. is an authorized representative of Benefit Bank, the issuing bank for the *mySourceCard*™.

A Personal HSA Assistant

Kereon HSA provides Personal HSA Assistants who are committed to the concept of service-driven benefit administration. Our HSA customers get more than just a bank account and a checkbook, they get a personal HSA assistant who can help HSA account holders through all the stages of setting up and managing their HSA. In other words, you form a relationship that can last a lifetime.

Here are a few of the services a Personal HSA Assistant can provide:

Plan Eligibility Certification Services so you know your health plan is HSA-qualified

Personal Enrollment Services for help setting up an individual's HSA

Contribution Reconciliation to make sure you don't exceed contribution limits, which could result in penalties

Online Access where the account holder can view their account balance, make contributions, request disbursements, select investment options, and much more

The Claims VaultSM stores claims online for later use (for example, to delay disbursement and build your account balance with interest, or for use in the event of an IRS audit)

Claims Certification which gives the HSA account holder piece of mind that their claims meet IRS requirements for tax-free status

Electronic Funds Transfer assistance for easy contributions and disbursements from your HSA

Debit Card advice for access to HSA funds with the swipe of a card

Tax Form Assistance so you know you're in compliance with IRS rules and regulations
