

THE **hsa** SOLUTION



Health Savings Account - HSA Employer Guide

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ACS | BNY Mellon
the HSA solution

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Welcome

ACS|BNY Mellon welcomes you and your employees. We are the leading administrator for Health Savings Accounts providing administrative services and support to our employer and accountholder customers. As an employer, this guide is prepared for you to summarize the steps completed and next steps. Our Employer Support Team is available to you and our web provides information and application tools to assist you in administering your plan and payroll processes.

Thank you for selecting ACS|BNY Mellon.

What Do You Need to Do Now?

1. Review this Employer Guide.
2. Discuss deposit funding options with your health plan contact or the Employer Support Team.
3. A 3-digit Employer ID has been assigned to your group. The individual designated as Primary Business Contact has been sent several emails providing: (1) funding information based on the payroll process your firm has selected; (2) security challenge form; and (3) web logon instructions (including your 14-digit sub-account number and temporary password). If you need this information resent contact our Employer Support Team.
4. Logon to www.hsamember.com; review the tabs for Web Reporting and Payroll on the Web (as appropriate to your payroll processing). User guides are available for download and weekly training sessions are conducted.
5. Your health plan has or shortly will submit your group's eligibility information to ACS|BNY Mellon. You may verify the processing of this by reviewing Web Reporting/Account Profile.
6. Once eligibility information is received and processed at ACS|BNY Mellon, an HSA account will be created and an HSA Welcome Kit will be sent to the employee's address on file. The employees will need to provide a signature (either electronic and/or paper) to open the account.
7. If you selected *POW!*, or excel-to-text file funding methods, your employer setup is complete. You can begin funding as soon as your employees open their HSA accounts. You may view the employee's and their account status on the Web Reporting tab under Account Profile.
8. If you selected the Payroll File funding method, you will need to work with ACS|BNY Mellon to obtain the file layout and set up the transmission for your files.
9. If you selected the ACH Direct Deposit funding method, you need to work with your corporation's bank and provide them with the employee account numbers. (The account numbers are available on the Web Reporting tab under Account Profile.) Funding may post to the account as soon as your employees open their HSA accounts.

Payroll Based Contribution Methods

We support employers in their payroll contribution efforts through four contribution methods: Payroll on the Web, Individual ACH, Excel Macro, or a Payroll Flat File. Additional information regarding these methods is provided below.

1. **Payroll on the Web (POW!) Method**- A lump sum transfer of funds accompanied by allocation instructions entered and submitted via *POW!* (Payroll on the Web) application at www.hsamember.com. Only available for groups with less than 150 HSA accounts.
2. **Funding Text File** - A lump sum transfer of funds accompanied by allocation instructions entered and submitted Funding Text File link available on www.hsamember.com.
3. **Flat File with FTP Connectivity** - A lump sum transfer of funds accompanied by allocation instructions in our HSA Payroll Distribution File format. (This approach requires FTP connectivity setup.)
4. **ACH Direct Deposit (via Individual ACH)**- Direct deposit into individual accounts via the ACH network. ACS|BNY Mellon is not able to support reconciliation of contributions under this approach

* For methods 1,2 and 3 you may execute the lump sum transfers in any of 3 ways - wire, ACH credit, or sending a check. When using option 4, individual ACH deposits must accompany ACH information.

Please Note: Employers will not be entitled to recoup any contributions made to an employee's HSA, except for limited exceptions as outlined in the IRS HSA regulations.

Funding and Former Employees

You can only fund or contribute into your active employee open accounts. You cannot deposit contributions into employees' accounts until they have opened their account via electronic/paper signature. In addition, you cannot submit funding using Payroll on the Web for closed accounts or accounts of employees who have terminated from your company. You may submit an Individual ACH contribution to post funds to their account or distribute the funds as taxable payroll if the account remains open.

POW! (Payroll on the Web) Method

POW! is a secure, on-line application that allows you to easily provide us with contribution instructions to post both employee and employer contributions to the individual employee accounts. This contribution information, paired with lump sum funding via wire, check or Automated Clearing House (ACH), provides the opportunity for communication about payroll contributions for timely and accurate posting to employee accounts. **This method is only available for groups who have less than 150 HSA accounts with ACS|BNY Mellon.**

Funding Text File

Funding Text File is a secure, on-line application that allows you to easily provide us with contribution instructions to post both employee and employer contributions to the individual employee accounts. This contribution information, paired with lump sum funding via wire, check or Automated Clearing House (ACH), provides the opportunity for communication about payroll contributions for timely and accurate posting to employee accounts. The link to download the excel file and upload the text file is available via the Funding Text File link.

Submission of multiple files on the same processing date can occur. In this instance we recommend the following: (1) uniquely identify each file submission. This can readily be accomplished by sequentially numbering the submissions in the file control number. (2) Wait a minimum of ten (10) minutes between file submissions to ensure the previous file has been fully transmitted and received prior to submitting the subsequent file.

ACH Direct Deposit

An employer, or its 3rd-party payroll administrator, may initiate direct deposits into participant accounts via the ACH (Automated Clearing House) Network.

- ✓ Your company's payroll should create a NACHA file specific for HSA contributions for your bank. This file should be provided to the bank to initiate movement of funds.

Upon successful pre-note, proceed with deposits into the accounts. Please note, your company account will be debited and the individual's HSA account will be credited for the amount of each transaction. In addition, your financial institution may impose a service fee for this processing.

Specifics for routing ACH direct deposits are:

Receiving Bank:	The Bank of New York Mellon
Receiving Bank Address:	One Boston Place, Boston, MA, 02108
Bank Transit Routing number:	011001234
Receiving Bank Accounts:	[Employee Name]
Receiving Bank Account Numbers	[see specs below]

Under this approach, you obtain the participant's 14-digit account number online from Web Reporting under Account Profile. Funding may post to the account as soon as your employees open their HSA accounts.

- The ACH file account number is a 17-byte field. The three-digit number that designates whether the monies are employee or employer should be added as a prefix to the 14-digit account number. **951XXXXXXXXXXXXXX** represents employee contributions, and **952XXXXXXXXXXXXXX** represents employer contributions. This then becomes the 17-byte field.
- ACH credits for employee accounts must be originated two business days before the date they will be reflected in the participants' accounts. You should initiate the items as two-day credits with your originating bank and should be directed to a checking (not savings) account.
- Deposits made for the prior calendar year must indicate the Effective Entry Date for the contribution to post as Prior Year. This should be confirmed via the website or IVR tax information.

Flat File with FTP Payroll Distribution (Detail File)

This process takes about 3-6 weeks to finalize, allowing time for setup of the secure transmission and file format testing.

- You transmit via FTP a file with instructions on how to allocate the individual HSA contributions among participant accounts.
- We provide you with the standard file layout to transmit the allocation instructions.
- The client service manager will provide the technical layout and initiate the FXR project.

The nightly deadline to receive this file is 5:00 p.m. Eastern Time. Files received on our server after cutoff will be swept into processing of the next banking business cycle. No funds will post to the employee accounts until (1) the effective date of the file has been reached or passed and (2) Your employer sub-account has funding equal to or greater than the total amount of the file.

Submission of multiple files on the same processing date can occur. In this instance we recommend the following: (1) uniquely identify each file submission. This can readily be accomplished by sequentially numbering the submissions in the file control number. (2) Wait a minimum of ten (10) minutes between file submissions to ensure the previous file has been fully transmitted and received prior to submitting the subsequent file.

Lump Sum Funding Options

In each of the three funding options, the monies should be directed to the employer sub-account. This 14-digit number will be established during the initial set up period and provided to you by the Employer Support Team. All employer sub-account numbers begin with 9500998.

Wire transfer

Employers should wire funds directly to their HSA payroll sub-account as follows:

Receiving Bank:	The Bank of New York Mellon
Receiving Bank Address:	One Boston Place, Boston, MA 02108
Bank Transit Routing Number:	011001234
Beneficiary Name:	Employer Name (as established for HSA)
Beneficiary Account Number:	(INSERT 14 digit Employer Sub-Account number) ** These are accts beginning with 9500998
Reference Information:	NA

*Wires must be received by 5:00 PM EST one day before payroll effective date for employers transmitting files in order for funds to be available in the participants account on the payroll date (provided distribution instructions are also submitted in time). Wires can only be submitted to employer "998" sub-accounts; our systems cannot support wires to individual's accounts. **Do not mail anything to One Boston Place.***

ACH Origination

Employers should direct ACH funding to:

Receiving Bank:	The Bank of New York Mellon
Receiving Bank Address:	One Boston Place, Boston, MA 02108
Bank Transit Routing Number:	011001234
Receiving Bank Account:	Mellon HR&IS HSA Custodial Account
Receiving Bank Account Number:	9500998XXXXXXX
Addendum Information:	(Provide Employer Name)

*ACH credits must be originated two days before payroll effective date in order for funds to be deposited into the participants account on the payroll date and should be directed to a checking (not savings) account. **Do not mail anything to One Boston Place.***

Check

Employers should mail a check, payable to The Bank of New York Mellon. a/c 9500998XXXXXXX.

Checks may be mailed to:

ACS BNY Mellon HSA Solution	HSA Operations
PO Box 535416	500 Ross Street Suite 154-0510
Pittsburgh, PA 15253	Pittsburgh, PA 15262

Checks must be received one day before payroll effective date.

ACH Direct Deposit

An employer, or its 3rd-party payroll administrator, may initiate direct deposits into participant accounts via the ACH (Automated Clearing House) Network.

- ✓ Your company's payroll should create a NACHA file specific for HSA contributions for your bank. This file should be provided to the bank to initiate movement of funds.

Upon successful pre-note, proceed with deposits into the accounts. Please note, your company account will be debited and the individual's HSA account will be credited for the amount of each transaction. In addition, your financial institution may impose a service fee for this processing.

Specifics for routing ACH direct deposits are:

Receiving Bank:	The Bank of New York Mellon
Receiving Bank Address:	One Boston Place, Boston, MA, 02108
Bank Transit Routing number:	011001234
Receiving Bank Accounts:	[Employee Name]
Receiving Bank Account Numbers	[see specs below]

Under this approach, you obtain the participant's 14-digit account number from Web Reporting using the Account Profile report. Funding may post to the account as soon as your employees open their HSA accounts.

- The ACH file account number is a 17-byte field. The three-digit number that designates whether the monies are employee or employer should be added as a prefix to the 14-digit account number. **951XXXXXXXXXXXXXX** represents employee contributions, and **952XXXXXXXXXXXXXX** represents employer contributions. This then becomes the 17-byte field.
- ACH credits for employee accounts must be originated two business days before the date they will be reflected in the participants' accounts. You should initiate the items as two-day credits with your originating bank and should be directed to a checking (not savings) account.

Deposits made for the prior calendar year must indicate the Effective Entry Date for the contribution to post as Prior Year. This should be confirmed via the web site or IVR tax information. Alternatively you may use *POW!* or Funding File Upload for processing of Prior Year contributions. Note, Prior Year contributions post only during the period January – April 15th of each year.

Direct Employee Contributions (not payroll-based)

The employee may send additional deposits directly by check or ACH. The accountholder's checkbook contains a supply of deposit slips and they are downloadable online under Account Holder Services/ Downloadable Forms. Employee individual deposits with prepared deposit slips should be forwarded for processing to:

ACS BNY Mellon HSA Solution PO Box 535161-5161 Pittsburgh, PA 15253	HSA Operations 500 Ross Street Suite 154-0510 Pittsburgh, PA 15262
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Maximum Contribution Limits

The 2010 and 2011 limits with respect to maximum contribution, catch-up contribution, minimum deductible, maximum out of pocket are listed below:

Maximum Contribution:

- Individual coverage: remains at \$3,050
- Family coverage: remains at \$6,150
- Catch-up: remains at \$1,000

Minimum Deductible (to be considered qualified HDHP)

- Individual Coverage: remains at \$1,200
- Family Coverage: remains at \$2,400

Maximum Out of Pocket

- Individual Coverage: remains at \$5,950
- Family Coverage: remains at \$11,900

HSA owners are responsible for ensuring that they do not contribute more than they are allowed under IRS rules. As the HSA custodian it is our responsibility ensure that contributions do not exceed the statutory maximum contribution (\$7,150 in 2010 and 2011). This includes the funding from all sources (employee payroll, employer payroll contributions as well as individual account holder personal contributions).

Enrollment Process

- The health plan transmits enrollment data to ACS|BNY Mellon. (You can verify the accounts for which enrollment information has been processed on Web Reporting/Account Profile).
- ACS|BNY Mellon mails a “Welcome Kit” to all employees, 3 – 5 business days after the data is received from the health plan. This kit includes an HSA overview, signature card, postage-paid return envelope, disclosure statement and beneficiary designation form.
- Participant provides signature in acceptance of account terms and conditions to open the account. This signature may be provided electronically (online at www.hsamember.com) or through return of the master signature card.
- Employer provides funding instructions and funds account(s).

The debit cards will be issued after completion of either electronic or paper signature. Checkbooks will be issued only after processing of the accountholder’s paper signature (signature card). Employers may review the status of accounts online under the Web Reporting tab/Account Profile.

It is imperative that you provide updates to your health plan throughout the year including: status changes, new enrollments, changes in addresses, etc. In turn, your health plan will transmit this information to update our systems.

Reminder Letters and Posting Timing on Frozen Accounts

Reminders are mailed to participants if the participant has not yet to provide a signature (either electronically or through return of the signature card) 30 days after their effective date.

For employers using Excel-to-Text or Payroll file processing, reminders are mailed to participants with unopened accounts within 7 days after a contribution has been received; followed by a second letter 14 days later if still no signature card has been received. The contribution will be held for up to 60 days. If after 60 days, still no signature card has been received, ACS|BNY Mellon will return any “pending contributions” back to the employer subaccount and will not post the funds without new allocation instructions from the employer.

US Patriot Act

The information collected during the enrollment process will be used by ACS|BNY Mellon to fulfill its obligations to establish and maintain a Customer Identification Program (“CIP”) pursuant to the USA Patriot Act, the Bank Secrecy Act, the Money Laundering Control Act and all other applicable anti-money laundering laws. A certain percentage of enrollments will be identified for further identity verification during this screening. Identified accountholders will receive a request for additional information at their supplied mailing address. Information requested typically includes items such as the following: copy of current driver’s license, copy of utility bill or passport. Failure to respond to requests for additional information will result in account closure and return of any funds posted to the account.

Electronic Signature

Enrolled participants are able to access the ACS|BNY Mellon web site at www.hsamember.com to activate their account. They should click on “FIRST TIME USER” and follow the prompts to open their account.

Please note: the paper Master Signature Card process will remain available for designation of beneficiaries, participants who prefer the paper method and for participants who used e-signature and/or would like a checkbook. The Master Signature Card is included in the welcome kit mailing and is downloadable online under Accountholder Services/Downloadable forms. **Note: these forms are individually bar-coded; they should not be photocopied for use by individuals other than the accountholder.**

Web Site

We maintain and regularly update our comprehensive HSA SolutionSM Web site at: www.hsamember.com. Employers and accountholders can sign-in to the secure area through the navigation on the right-hand of the screen. The Web site facilitates self-service activities for participants such as checking daily account balances, reviewing recent transactions, making investment elections, reordering debit cards (standard only) and downloading forms. Members needing assistance with their password should contact the service center.

Employers can link to the secure site to obtain information regarding transactions posting to the employer sub-account and various reports detailing their account activity. To enter the secure site, select “**EMPLOYER LOGIN**” indicator on the right-hand side of the screen. You will need your employer sub-account (beginning 9500998) and initial password to login. Employers needing assistance with their password should contact the Employer Support Team at 866-712-4551.

The public site includes FAQs, contribution and tax savings calculators and a guide to HSA accounts. Prospective participants may use the site to determine how HSAs work, the potential advantages, and how their expenses might compare under a traditional plan vs. a high deductible health plan with an HSA.

Reporting

ACS|BNY Mellon offers you several reports to assist in your HSA administration. These reports are designed to show you payroll file statuses, detailed participant information, and aggregate account information at the group level. The different reports you have access to are:

File Status Report - provides summary information for all files processed by the employer for the selected date range. Any individual file can be selected to view processing details

Payroll Repost Report - provides details regarding daily reposting attempts into participants’ frozen accounts.

Account Profile Report - provides details at the participant level regarding the receipt and processing of payroll files

Monthly Summary Report (available to groups with more than 25 HSA accounts) - provides a summarized report of monthly transactions including contributions, withdrawals, fees, rollovers and investment activity of the accounts affiliated with the employer code

Web training sessions are regularly scheduled on Wednesdays from 2pm – 3pm (EST). To participate in a session, send the name and email address of participants to HSAWebTraining@ACS-hro.com. Participants sharing one connection need only submit one name and email address.

Healthcare Reform

The following are immediate impacts of health care reform as related to HSA accounts. This is not intended to be a comprehensive list of the potential impact of health care reform.

- Effective 1/1/2011 – amounts paid for OTC (over the counter) drugs will no longer be qualified medical expenses eligible for reimbursement from HSA unless the OTC drug was prescribed by a doctor. This applies to OTC drugs; it does *not* apply to other OTC items such as insulin, diabetic supplies, bandages, contact lens supplies.
- Effective 1/1/2011 the penalty for reimbursement of non-qualified medical expenses will increase to 20%.

Parents who cover adult children (i.e. ages 23-26) through the employer’s HDHP may be unable to use HSA funds to reimburse themselves on a tax-free basis for medical expenses incurred by those adult children as tax-free use of HSA funds is limited to qualified medical expenses for tax-qualified dependents of the account holder.

Contacts

Employer Support Team (**employer contacts only**)

Phone: 866-712-4551
 E-Mail: HSAEmployerSetup@ACS-inc.com
 Hours of Operation: 8:00 am – 8:00 pm EST, Monday - Friday

Holiday Schedule

Employer Support and Customer Service will have the following holiday schedules for 2011

Monday, May 30, 2011 – Closed, Memorial Day
 Monday, July 4, 2011 – Closed, Independence Day
 Monday, September 5, 2011 – Closed, Labor Day
 Thursday, November 24, 2011 – Closed, Thanksgiving Day
 Monday, December 26, 2011- Closed, Christmas Observed

The following are Bank and/or Market Holidays for 2011. For a bank holiday, no payroll will post on these days. For a market holiday, no investment transaction (Investment, Redemption) will post on these days. For both bank and market holiday, neither payroll nor investment transactions will post.

Day	Date	Holiday	Bank Holiday	Market Holiday
Monday	1/17/2011	Martin Luther King Day	X	X
Monday	2/21/2011	President's Day	X	X
Monday	5/30/2011	Memorial Day	X	X
Monday	7/4/2011	Independence Day	X	X
Monday	9/5/2011	Labor Day	X	X
Monday	10/10/2011	Columbus Day	X	X
Monday	11/11/2011	Veteran's Day	X	X
Thursday	11/24/2011	Thanksgiving Day	X	X
Friday	11/25/2011	Day After Thanksgiving		market closes 1pm
Monday	12/26/2011	Christmas	X	X