

**Minnesota Service Cooperatives  
Member Choice Plan  
Annual Employee Election Resource Decision Guide**

<b>HSA Account</b>	<b>VEBA Account</b>
<p><b><u>Account Ownership</u></b> The employee owns the account, with rights similar to ownership of an IRA. The HSA is portable</p>	<p><b><u>Account Ownership</u></b> The employee has a vested interest in a funded account. The VEBA account is not portable, but it is permanent and available to the employee and his or her spouse or dependents until it is depleted.</p>
<p><b><u>Rollover</u></b> Account balance rolls over year to year</p>	<p><b><u>Rollover</u></b> Account balance rolls over year to year</p>
<p><b><u>Contributions</u></b> Employer contributions are tax free and excluded from wages. Employer and employee may both contribute to the annual maximum. Maximum contribution for 2008 is \$2,900 for single and \$5,800 for family. Catch up provision for individuals you are 55 and older is \$900 for 2008</p>	<p><b><u>Contributions</u></b> Employer only contributions. No annual or lifetime maximum. At retirement the account may also be funded with severance or sick pay if provided for in the collective bargaining agreement or personnel policy</p>
<p><b><u>Eligibility</u></b> Must be covered by a “high deductible health plan.” The minimum deductible for single coverage in 2008 must be \$1,100, and the minimum deductible for family coverage must be \$2,200. Employees who have other coverage are not eligible for an HSA.</p>	<p><b><u>Eligibility</u></b> Eligibility for a VEBA contribution is determined by the employer or through collective bargaining.</p>
<p><b><u>Cash distribution</u></b> Is allowed. If the distribution is not used to reimburse eligible medical expenses, it is subject to income tax (and a 10% penalty if the accountholder is younger than 65).</p>	<p><b><u>Cash distribution</u></b> Not allowed. Monies may not be withdrawn except for verified eligible medical expenses.</p>
<p><b><u>Eligible expenses</u></b></p> <ul style="list-style-type: none"> <li>• Medical expenses under 213 (d) of the Internal Revenue Code</li> </ul> <p>Generally, an HSA may not be used to pay health insurance premium. HSAs may be used to reimburse premiums in the following limited circumstances:</p> <ul style="list-style-type: none"> <li>• health care continuation coverage (COBRA)</li> </ul>	<p><b><u>Eligible expenses</u></b></p> <ul style="list-style-type: none"> <li>• Medical expenses under 213 (d) of the Internal Revenue Code</li> <li>• Insurance premiums (other than premiums that are paid through an employer’s cafeteria plan)</li> <li>• Medicare Parts A, B and D</li> <li>• Medicare Supplement premiums</li> </ul>

Individual situations vary widely, and you should not rely on this document for tax or legal advice. See IRS Publication 969 at [www.irs.gov](http://www.irs.gov) for more information on HSAs, or consult a qualified tax professional.

<ul style="list-style-type: none"> <li>• qualified long-term care insurance coverage</li> <li>• health care coverage while the individual is receiving unemployment compensation;</li> <li>• premiums for Medicare Part A or B, Medicare HMO, and</li> <li>• after age 65, the employee's share of employer-sponsored retiree health care</li> </ul>	
<p><b><u>Death of participant</u></b> If the participant designates his or her spouse as the beneficiary, the spouse will treat the HSA as their own. If another beneficiary is assigned, the HSA terminates and the value is taxable to the beneficiary.</p>	<p><b><u>Death of the participant</u></b> The account balance is available to reimburse medical expenses of the surviving spouse and eligible dependents. If there is no spouse or eligible dependent(s) the monies revert back to the trust</p>
<p><b><u>Flexible spending account (FSA)</u></b> Limited purpose FSA may be used with an HSA. Reimbursements are limited to vision, dental, and post deductible expenses</p>	<p><b><u>Flexible spending account (FSA)</u></b> Coordinates with flexible spending account (FSA). FSA is primary; VEBA is secondary</p>
<p><b><u>Embedded family deductible</u></b> Minimum \$2,200 per family member</p>	<p><b><u>Embedded family deductible</u></b> No specific rules apply</p>
<p><b><u>Coordination of Benefits (COB)</u></b> Can only coordinate with another qualified high deductible health plan</p>	<p><b><u>Coordination of Benefits (COB)</u></b> Follows standard health plan COB rules; VEBA pays after other health plan (s) have paid</p>
<p><b><u>4<sup>th</sup> Quarter Carry over</u></b> 4<sup>th</sup> quarter carryover applies subject to the minimum annual single and family deductible. (\$1,100 single &amp; \$2,200 family for 2008). For example, if a participant had single coverage with a \$3,000 deductible, and incurred \$2,000 in expenses in the 4th quarter of 2007, he or she would have to pay at least \$1,100 towards the deductible in the following year. Above \$1,100, the employee could then apply \$1,900 of the \$2,000 in 4th quarter carryover expenses until he or she reaches the \$3,000</p>	<p><b><u>4<sup>th</sup> Quarter Carry over</u></b> Full 4<sup>th</sup> quarter deductible carryover applies</p>

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