



**Health Savings Accounts (HSA)
Questions and Answers
January 1, 2019**

Q1: What are qualifying medical expenses?

A: Eligible expenses are defined by the IRS. The general rule for medical expenses is that the expense has to be for medically necessary purposes only. Cosmetic or optional expenses are not eligible. You may also use your HSA for long-term care premiums, COBRA premiums, retiree medical premiums, and Medicare premiums (but not for Medicare Supplement plans).

Q2: What are the main differences between an HSA and a health Flexible Spending Account (FSA)?

A: The Chart below outlines the primary differences between an HSA and health FSA plan:

Feature	HSA	Health FSA
Is the account balance forfeited at the end of the plan year?	No; balances roll over from year to year. In addition, you take your account balance with you when you leave McClatchy.	Yes; unused balances are forfeited at the end of the claims reimbursement period each year. If you leave McClatchy you can only submit claims incurred prior to your termination date.
Can employees make contributions to their account?	Yes; pre-tax contributions can be made through payroll deductions and after-tax contributions can be made by you directly to your HSA.	Yes; pre-tax only while employed. After-tax contributions are permitted only if you enroll in COBRA for your FSA plan (not very common).
Is there a company contribution?	Yes; in 2019, McClatchy will contribute in January and July.	No

Feature	HSA	Health FSA
Is the account a bank account?	Yes; like other bank accounts, the funds are insured by the FDIC.	No
What are the reimbursement rules?	Claims can be reimbursed only from funds that are currently in your account.	Claims can be reimbursed up to your annual election even if your FSA contribution has not been deducted from your paycheck yet.
Does account balance earn interest?	Yes	No
What documentation is required to support requests for reimbursement?	None: no documentation is required when you submit a claim for reimbursement. However, you must keep documentation to substantiate your claims if you are audited by the IRS.	Documentation must be submitted for reimbursement of claims.
Can the account balance be invested?	Yes; once your account balance reaches \$1,000, you can invest the funds maintained by the record-keeper.	No
When and how often can I change my contributions?	You can change your HSA contributions at any pay period. You can also make contributions directly to your HSA without payroll deductions.	You can only change your annual election when you have a qualified family status change and contributions must be made through payroll deductions.

Q3: Can I withdraw funds from my HSA at any time?

A: Yes. However, if funds are withdrawn for expenses that are not qualified medical expenses, the IRS will impose a 20% penalty tax. After the age of 65, the funds can be withdrawn without penalty, but the amount withdrawn will be taxed as ordinary income.

Q4: Can I use my HSA for expenses I incur that are not covered under our medical plan?

A: Yes, as long as the expenses incurred is considered a qualifying medical expenses by the IRS.

Q5: Who will verify that my HSA funds are being used for qualified expenses?

A: The individual who owns that HSA is required to maintain a record of expenses to demonstrate that the funds are being used for qualified medical expenses in the event of an audit.

Q6: Will my HSA account balance be forfeited after a period of time?

A: No, HSA funds are not forfeited. Any unused funds are retained in your HSA and can be used to reimburse current and future healthcare expenses.

Q7: Can I use all of my annual contribution pledge to the HSA account to pay for a large claim in January?

A: An HSA operates like a banks account and the funds must be available before you can request reimbursement. If your expense in January is more than what your HSA account balance, you will have to pay the difference between your expense and your HSA, and pay yourself back once you have sufficient funds available in your account.

Q8: How often can I change my HSA contribution?

A: You can change your HSA contribution every pay period through Employer Self Service. The change you make will replace any previous deduction elections and will remain in effect unless another change is made.

Q9: What happens to my HSA account if I die?

A: Upon death, any balance remaining in the accountholder's HSA becomes the property of the individual named as the beneficiary of the HSA account. If there is no designated beneficiary, the HSA will treat your surviving spouse as the accountholder, and the distributions used for his or her qualified medical expenses will not be subject to income tax.

Q10: Can I be reimbursed for the health care expenses incurred before I enroll in the HSA?

A: No, you can only be reimbursed for qualifying health care expenses incurred after your HSA has been started.

Q11: Do I have to give my company HSA contribution back if I leave McClatchy?

A: You are the owner of your HSA and you may continue to maintain the account if you leave McClatchy. All contributions - including the company contribution-are yours to keep.

Q12: Will the company make a contribution to the HSA account every year?

A: For the 2019 plan year, McClatchy will make two contributions to an active employee's HSA account to assist with cash flow for expenses. However, in future years, company contribution to HSA accounts may be tied to the wellness program and employees may have to earn the contributions.