

Republic Bank Health Savings Account (HSA)

2023 Plan Year

Paying for healthcare just became easier.

Welcome! Opening an HSA account can seem like a daunting task but it doesn't have to be. We have Personal Banker's that will work with you and guide you through the entire process. In addition, you may call the IRA/HSA Department at extension 4357 (select Option 3, then Option 4 in the menu) if you have questions regarding the health savings account.

The Republic Bank HSA is an individually owned account that can help you more effectively save and pay for medical expenses. This guide is designed to answer some basic questions you may have about the Republic Bank HSA program.

Contents at a Glance

HSA Basics for Employees	Pages 2-6
Dependents and HSAs	Page 7-8
HSA Contributions	Pages 9-10
Account Maintenance	Page 11
Transfers and Rollovers	Page 12
HSA Qualified Medical Expenses	Page 13
How it Works - Examples	Pages 14-15
Republic Bank Contact Information	Page 16

HSA Basics

What is a Health Savings Account?

A Health Savings Account (HSA) is a tax-favored account that allows you to set aside funds to save and pay for qualified medical expenses incurred by you, your spouse, and any of your qualified dependents. The HSA takes the form of a tax-exempt trust or custodial account.

HSAs are different from other types of account-based plans you might already be familiar with. The most important difference is that HSAs are individually owned accounts. That means that each account holder will have his or her own account/account number and will receive personalized monthly statements. It also means that as account holder, you must be the one to contact Republic Bank with any questions or concerns pertaining to your personal account.

Features of the Republic Bank Health Savings Account

The Republic Bank HSA is a personal checking account, and provides you with many of the same features offered in our traditional checking accounts, including:

- No minimum balance required.
- No set-up fee.
- No transaction fees.
- Free Republic Bank Debit Card.
- Free Internet Banking, Mobile Banking, Online Statements and Online Bill Pay.
- Competitive tiered-rate interest.
- No minimum opening deposit.
- No monthly account maintenance fee (**equals a 100% discount for employees**)

HSA Basics (cont.)

How do I use my HSA to pay for medical expenses?

It's easy to use your HSA. You can pay for qualified medical expenses directly with your debit card or paper check at the point of sale. A Republic Bank HSA can be accessed in several ways:

- Debit Card: Account holders receive a Republic Bank Debit Card that can be used at qualified MasterCard locations. Debits are deducted straight from the HSA. Many medical services providers accept MasterCard for payment.
- Check Writing - The Republic Bank HSA provides checks to pay for medical expenditures from the HSA.

No matter how you access the funds in your HSA, be sure to retain copies of all receipts for 3 years as proof that funds were used to pay for qualified medical expenses.

How do I know what is considered a “qualified” medical expense?

In general, to be considered qualified; the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness. Included on Page 8 of this document is a partial list of qualified medical expenses. A more comprehensive list is available on the IRS Web site (www.irs.gov), Publication 502.

What happens if I accidentally use my HSA funds to pay for a non-qualified expense?

If funds in the account are used to pay for non-qualified expenses, you will need to claim the amount as income on your tax return, and you will be subject to a 20% penalty if you are under age 65. However, you can avoid taxes and potential penalties if the funds are repaid by April 15 of the year following the year when the distribution took place.

Can I use my HSA to pay for medical expenses incurred before I established my HSA?

No. You cannot use HSA funds to pay for medical expenses incurred before your account was established. It is recommended that you establish your HSA as close as possible to the effective date of your HSA-qualified health plan.

How can I reimburse myself for qualified medical expenses I paid for using non-HSA funds?

If the expenses were incurred after the date your HSA was established, you can reimburse yourself by withdrawing the funds directly from your account.

HSA Basics (cont.)

Is there a deadline for reimbursing myself for qualified medical expenses I paid for using non-HSA funds?

No. HSA funds can be used to reimburse expenses incurred in prior years if they were incurred on or after the date the HSA was established.

Can I have an HSA and a Flexible Spending Account (FSA)?

Yes, but only if the FSA is set up as a limited-purpose FSA (typically used to pay for dental and vision expenses).

Who is responsible for tracking expenses paid for from my HSA?

Republic Bank tracks the total dollar amount distributed from your HSA and provides that information to both you and the IRS in form 1099-SA, which you will receive each year before January 31. You should retain copies of all your receipts as proof that funds were used to pay for qualified medical expenses. You are responsible to the IRS for all HSA distributions.

What happens to the funds in my HSA at the end of the year?

The funds in your HSA roll over and continue to grow from year to year. You can continue to make the full HSA contribution each year provided all eligibility requirements are met.

Can I transfer my HSA from another financial institution to Republic Bank?

Yes. For more information about transfers and rollovers, please refer to the “Transfers and Rollovers” section of this document.

What happens to my HSA if I am no longer covered under an HSA-qualified health plan?

You can continue to use the funds in your HSA to pay for qualified medical expenses. However, you cannot make additional contributions to the account if you are no longer covered under an HSA-qualified health plan.

If I’m a retiree who is enrolled in Medicare, can I receive a tax-free distribution from an HSA to reimburse my Medicare premiums?

Yes, these distributions are tax-free if you’re at least 65 years old. When your Medicare premiums are deducted from your Social Security benefits, you can use your HSA to reimburse the Medicare premium deduction, and it’s considered a qualified medical expense.

HSA Basics (cont.)

What tax forms will I receive regarding my HSA?

You will receive a 1099-SA statement each year before January 31, reporting total distributions made from your HSA during the previous calendar year. You will also receive a 5498-SA statement each year after April 15, reporting total contributions made to your HSA during the previous year.

Republic Bank also sends a copy of these forms to the IRS. You can keep the copies you receive for your records. Please review these forms for accuracy and notify Republic Bank immediately if there is an error.

Am I eligible for an HSA?

To be eligible, the following must be true:

- You must be covered by a qualified High Deductible Health Plan
- You can't be claimed as someone's dependent
- You aren't covered by other disqualifying insurance (such as a PPO plan)
- You aren't enrolled in Medicare

If I enroll in a High Deductible Health Plan but waive the HSA, can I establish an HSA later?

Yes. An HSA can be established any time after enrolling in a qualified High Deductible Health Plan. You can contribute the maximum amount for the year – in 2023, that's \$3,850 if you have single coverage or \$7,750 for family coverage. Individuals age 55 and older can also make an additional \$1,000 catch-up contribution each year.

How to open an HSA at Republic Bank

- You must present acceptable identification.
- You must have your Social Security Number or Tax ID number.
- You must be covered by a High Deductible Health Plan and not be covered by other insurance that is not HDHP or have access to an FSA account.
- Visit any of our banking centers to open your HSA.

HSA Basics (cont.)

Can I cancel my HSA?

You have seven days after the date you set up your Health Savings Account with Republic Bank to cancel the account. You'll need to send a written notice to:

Republic Bank
601 West Market Street
Louisville, KY 40202

Or you can call Republic Bank at 502-584-3600, or if in Kentucky/Indiana call toll free at 888-584-3600, or in Florida/Ohio, 888-709-2500 to cancel your account.

If you mail a notice, we'll consider the postmark date, or date of certification or registration, as the date of delivery, as long as you follow normal mailing procedures, such as ensuring the mail has enough postage.

If you cancel your account within the specified time, we'll return the entire balance of your account without charging any fees. However, you may be responsible for a 10 percent IRS penalty on any account funds used for nonqualified medical expenses.

What happens to my HSA when I die?

You can designate one or more beneficiaries to receive your HSA when you die. You can also cancel a beneficiary designation at any time and, if desired, designate different individuals as beneficiaries. To be valid, any beneficiary changes must be on a form provided by or acceptable to Republic Bank.

If you don't have a valid beneficiary designation, Republic Bank distributes your HSA assets to your estate. Consult with your attorney before making a beneficiary designation.

What happens to my account if I leave my current employer?

Your HSA is yours forever and is portable, so it goes with you if you leave your employer. You can still use the funds even if you don't get an HDHP elsewhere. However, you can keep contributing to the HSA only if you enroll in another HDHP.

Does my entire yearly HSA contribution have to be in the account before I can use the funds?

No. You don't have to wait until all the funds are deposited to start making withdrawals, but you can only spend money in the account.

Dependents and HSAs

I am divorced and count my daughter as a dependent on my tax return every other year. Can I cover her under my HDHP and use HSA funds to pay for her medical expenses?

Yes. The IRS allows divorced parents to use HSA dollars to pay for dependent expenses as long as the child is a qualified dependent under Internal Revenue Code Section 152. Your child is a qualifying child provided if he/she younger than 19, younger than 24 and a full-time student, or totally and permanently disabled. A child of divorced or separated parents can be treated as a dependent of both parents. Each parent can use his or her HSA funds to pay for the child's qualified medical expenses, even if the other parent claims the child's dependency exemption, if:

- The child is in the custody of one or both parents for more than half the year;
- The child receives over half of his or her support during the year from his or her parents; and
- The child's parents:
 - Are divorced or legally separated under a decree of divorce or separate maintenance; – Are separated under a written separation agreement; or
 - Lived apart at all times during the past six months of the year.

My child is 24 years old and a full-time student. Can I cover him on my High Deductible Health Plan and HSA?

You can cover your dependents on the High Deductible Health Plan up to age 26. However, per IRS rules, you can only use HSA funds to pay for your child's qualified medical expenses provided if he/she is younger than 19, or younger than 24 and a full-time student, or totally and permanently disabled. Because your child is age 24, you can't use the funds from your HSA to reimburse his medical expenses.

Dependents and HSAs (cont.)

If both spouses are covered individually by their respective employer, who determines who covers children?

If dependents are covered under both policies, the dependents will be primary on the plan for the parent who has a birthday first in the calendar year. Example: If you and your spouse both cover your children and your birthdays are March 10 for mom and July 9 for dad, the dependents would be primary on mom's plan. This is a standard practice among all insurers.

If I cover my child and myself on my plan, and my ex-husband covers himself and our child on his plan, can I elect the HSA if our child is claimed as a dependent on his taxes?

Yes. You can have a High Deductible Health Plan covering employee and child. Your ex-husband can continue to cover your child as well. The IRS rule revolves around who is the owner of the HSA. Since you, and not your child, own the HSA, you can elect the HSA and your child can still be covered under both plans.

If my child has academic coverage for sports, can I still cover him or her as a dependent under my High Deductible Health Plan with HSA?

Yes. You can still cover the child on the High Deductible Health Plan and use HSA dollars for the child's medical expenses.

HSA Contributions

How do I make contributions to my HSA?

- **Make contributions via payroll deduction**—you may elect to have pre-tax contributions to your account via payroll deduction. Once you establish your account, send your account number to the Republic Bank Payroll Dept. (payroll@republicbank.com), what type of HSA account you opened (Individual, Family, Individual Catch-up or Family Catch-up), and how much you want to have deducted on a pre-tax basis from your pay check.

How much can I contribute to my HSA this year?

Contribution limits for 2023 tax year are as follows:

- Individuals with self-only coverage—\$3,850
- Individuals with family coverage—\$7,750

Individuals age 55 and older can also make an additional catch-up contribution each year. Limits on catch-up contributions are as follows:

- **\$1,000**

*Account holders who are HSA-eligible for only part of the year can still make the full, tax-deductible contribution for that year. However, they must remain HSA-eligible for at least twelve months after benefiting from this special rule in order to avoid potential taxes and penalties.

What is the latest date I can contribute to my HSA?

You have until April 15 of the following year to make contributions for the current tax year. The contribution must be credited to the account by April 15. All deposits are credited as current year contributions unless otherwise noted.

HSA Contributions (cont.)

When can I begin making contributions?

If you just signed up for the High Deductible Health Plan and HSA, you're required to wait until after the effective date of the plan before contributing to the HSA. If you contribute before the effective date, you're essentially contributing without High Deductible Health Plan coverage, and the contributions would then be subject to a penalty. You can stop contributing anytime by notifying the payroll department.

What happens if my HSA contributions exceed the amount that may be deducted or excluded from my gross income?

Contributions you make to your HSA that exceed the amount allowed by law, or which are made during any year when you're not eligible to contribute, are called "excess contributions." You can't deduct these excess contributions, and they're included in your gross income. There's also a 6 percent penalty on the excess funds, including any earnings through interest or investments, for each year they remain in your HSA. However, you can avoid this tax on excess contributions if you don't deduct the contributions on your taxes, and you take them out of your HSA along with any interest or capital gains they've earned, before the due date for filing your federal income tax return, including extensions, for the year in which you made the excess contributions.

If you take the excess funds out of your HSA, the funds and any net income from the excess contribution is taxable as income for the year in which the contribution was made. Rollover contributions from a previous year don't count when determining if you've made an excess contribution. Funds transferred from an Individual Retirement Account (IRA) do apply to the maximum contribution limit. Note: if you roll over HSA funds from another HSA, and those contributions were made in the same calendar year, the rollover will apply to the limit.

HSA Account Maintenance

Can I access my Republic Bank HSA account online?

Yes. When you set up your account, you will be given information on how to access your account online. Once you have set up online account access, you will be able to take advantage of a variety of features that make it easy to manage your HSA, including:

- Free Banking Online
- Free Bill Pay Online
- Secure, 24/7 access to balance information, account statements and more

For additional information regarding online account access, please call Republic Bank at 502-584-3600, or toll free in Kentucky/Indiana, 888-584-3600, or in Florida/Ohio, 888-709-2500.

Will I receive a monthly HSA statement?

Yes. As the account holder, you will receive monthly statements for your HSA similar to a regular checking account. These statements will show the average account balance, closing balance, and any credits or debits made to or from the account.

Can I add another individual to my HSA?

HSAs are always individually owned accounts, but you can designate an authorized signer on your HSA. This authorization gives the signer access to your HSA funds via your HSA MasterCard® debit card. Please contact Republic Bank for details.

Transfers and Rollovers

HSA-to-HSA Transfer from another Financial Institution to Republic Bank

Visit your local banking center and a personal banker will be happy to assist you.

Please note that from a tax standpoint, this type of HSA-to-HSA transfer made directly between the two custodians is a non-reportable event.

HSA-to-HSA Rollover from another Financial Institution to Republic Bank

You can also move HSA funds from another financial institution to Republic Bank by completing an HSA-to-HSA rollover. An HSA-to-HSA rollover is different from an HSA-to-HSA transfer in that the account holder takes receipt of HSA funds and sends them to the new HSA custodian (instead of having funds go directly between the two financial institutions).

Visit your local banking center and a personal banker will be happy to assist you.

Please note that unlike HSA-to-HSA transfers, HSA-to-HSA rollovers are tax reportable events, and only one rollover is allowed per 12-month period. Republic Bank will report the rollover on the tax forms submitted to the IRS.

HSA Qualified Medical Expenses

The following is a partial list of items considered qualified medical expenses for HSA reimbursement. This list is not comprehensive and is intended only to serve as a reference. For more comprehensive information, please refer to IRS Publication 502, "Medical and Dental Expenses", available on the IRS Web site (<https://www.irs.gov/forms-pubs/about-publication-502>). Note: Over the counter (OTC) medicines and drugs will need a prescription to be eligible as tax-free.

- Acupuncture
- Alcoholism treatment
- Ambulance
- Artificial limb
- Artificial teeth
- Birth control pills (by prescription)
- Chiropractors
- Christian Science practitioners
- Contact lenses
- Crutches
- Dental treatment
- Dermatologist
- Drug addiction treatment (inpatient)
- Drugs (prescription)
- Eyeglasses
- Guide dog
- Gynecologist
- Hearing aids
- Hospital services
- Laboratory fees
- Lead-base paint removal
- Life-care fees
- Lodging (for outpatient treatment)
- Nursing care
- Optician
- Organ transplant (including donor expenses)
- Orthopedic shoes
- Orthopedist
- Osteopath
- Oxygen and equipment
- Pediatrician
- Physician
- Podiatrist
- Post-natal treatments
- Prenatal care
- Prescription medicines
- Psychiatrist
- Radium treatment
- Specialists
- Spinal tests
- Splints
- Sterilization
- Surgeon
- Phone/TV (hearing impaired)
- Therapy
- Vaccines
- Vasectomy
- Vision
- Vitamins (prescribed)
- Wheelchair
- X-rays

How it works example – single coverage

Lucy enrolls in a High Deductible Health Plan. Her plan is effective January 1, 2023, and has the following features:

- \$3,000 single annual calendar year deductible
- 100 percent coinsurance for in-network providers

She also has a Health Savings Account. Even though Lucy can put up to \$3,850 in a Health Savings Account, Lucy funds the account up to the \$3,000 deductible:

- For first year, Lucy funds \$3,000 from tax-free paycheck deductions
- For the second year, Lucy funds an additional \$3,000 from tax-free paycheck deductions

Year 1	
Lucy's healthcare costs are higher than usual because she breaks her leg. Her expenses for the year total \$4,415:	
• Hospital doctor's services	\$750
• Hospital facility cost	\$1,350
• X-rays at hospital	\$900
• Specialist office visit	\$315
• Six physical therapy sessions	\$1,050
• Two prescriptions	\$150
Here's how Lucy uses her HSA to pay for healthcare	
HSA funds	\$3,000
Total cost of services	\$4,515
Lucy uses HSA to pay deductible	\$3,000
Balance of cost of services	\$1,515
HDHP plan pays 100% of costs	\$1,515
HSA funds remaining	\$0
Summary	
When the accident happened, Lucy used the HSA dollars deposited so far to cover her deductible. She wrote a check for the rest and then got reimbursed from her HSA when more money went into the account. After Lucy used the HSA to meet her \$3,000 deductible, her health plan kicked in to pay the remaining \$1,515. The plan paid 100% coinsurance and Lucy had no additional out of pocket expense. Because she used all the money in her HSA, Lucy has a \$0 balance at the end of the year, but if she has additional medical care in this same calendar year, the plan will pay 100% of all eligible in-network expenses.	

Year 2	
Lucy's healthcare costs aren't as high as last year. She has an illness that requires two visits to the doctor's office and two prescriptions. Her expenses for the year total \$435:	
• Two doctor's office visits	\$200
• Two prescriptions	\$235
Here's how Lucy uses her HSA to pay for healthcare	
HSA funds	\$3,000
Total cost of services	\$435
Lucy uses HSA to pay	\$435
HSA funds remaining	\$2,565
Summary	
Because her healthcare expenses were only \$435, Lucy didn't use all of her HSA funds. She also didn't have to use any of her take-home pay to cover out-of-pocket costs. At the end of the year, she has \$2,565 left. She can use the money tax-free for healthcare expenses in the future.	

How it works example – family coverage

Doug chooses a High Deductible Health Plan that covers himself, his wife Tina, and their two children – 4-year-old John and newborn Julie. Their plan is effective Jan. 1, 2023, and has the following features:

- \$6,000 family deductible
- 100 percent coinsurance for in-network providers

Even though Doug can put up to \$7,750 in a Health Savings Account, Doug funds the account up to the \$6,000 family deductible:

- For the first year, Doug’s contributes \$6,000, in tax-free paycheck deductions.
- For the second year, Doug contributes another \$2,000 to the account through tax-free paycheck deductions. He also has the \$5,225 left over from Year 1.

Year 1	
Both children get sick once during the year. Not surprisingly they spread the illness to their dad – but Tina manages to avoid it. Doug, John, and Julie each visit the doctor once. Doug and John need a prescription to treat the illness, and John gets some lab tests. The family’s expenses for the year total \$775:	
• Three doctor’s office visits	\$300
• Lab tests	\$100
• Three prescriptions	\$375
Here’s how Doug uses an HSA to pay for healthcare	
HSA funds	\$6,000
Total cost of services	\$775
Doug uses HSA to pay.....	\$775
HSA funds remaining	\$5,225
Summary	
Because the family’s healthcare expenses were only \$775, Doug didn’t use all of his HSA. At the end of the year, he’s spent none of his take-home pay on out-of-pocket costs, and he still has \$5,225 left to use for future healthcare expenses.	

Year 2	
This year, John is injured – leading to X-rays, a three-day hospital stay, knee surgery, and two prescription drugs. On top of that, both Tina and Julie get sick and have to go to the doctor. The family’s expenses for the year total \$7,710:	
• Hospital care	\$3,000
• X-rays	\$250
• Surgeon and anesthesiologist	\$4,000
• Two doctor’s office visits	\$200
• Two prescriptions.....	\$260
Here’s how Doug uses an HSA to pay for healthcare	
HSA funds	\$7,225
Total cost of services	\$7,710
Doug uses HSA to pay deductible	\$6,000
Balance of cost of services	\$1,710
HDHP plan pays 100% of costs	\$1,710
HSA funds remaining	\$1,225
Summary	
Doug used \$6,000 in his HSA to meet the plan’s deductible, leaving \$1,225 in his account. After meeting the deductible, the family’s health benefits kicked in to pay 100 percent of the remaining healthcare costs. He didn’t have to use any of his take-home pay to cover out-of-pocket costs, and he still has \$1,225 left to use for future healthcare expenses, and if any member of his family has additional medical care in this same calendar year, the plan will pay 100% of all eligible in-network expenses.	

Republic Bank Contact Information

To set up a Republic Bank Health Savings Account, please contact any Personal Banker located in a Republic Bank branch convenient to you, or call IRA/HSA Department at 1-502-561-7143 (select Option 3, then Option 4 in the menu).

For general benefit information, you may also contact:

Tammy Pate, Benefits Manager, ext. 2446

tpate@republicbank.com

Clay Hoppe, Benefits Specialist, ext. 2465

choppe@republicbank.com

To set up your pre-tax payroll deductions, send an email to:

payroll@republicbank.com