



Benefits Booklet

Pre-Tax Health Savings Account — January 2023

Offered under the Mayo Cafeteria Plan

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INTRODUCTION

This document explains the operation of the Pre-Tax Health Savings Account (“Pre-Tax HSA,” “HSA” or “Plan”) offered under the Mayo Clinic Health & Welfare Benefits Plan. This document reflects the applicable provisions of Section 223 of the Internal Revenue Code. If you enroll in the High Deductible Health Plan Mayo Custom, an option under the Mayo Medical Plan, you are able to make voluntary pre-tax HSA contributions. You must establish your HSA with Fidelity Investments (“Fidelity”) through a process similar to opening a bank account. Upon establishing your HSA with Fidelity Investments, your voluntary pre-tax contributions to your HSA will be deducted from payroll. If you fail to establish your HSA with Fidelity investments, contributions will not be deducted from payroll.

Your HSA can be invested and the earnings will accrue tax-free. Further, to the extent you use your HSA to pay for qualified medical expenses, there is no tax on distributions from your account.

This document, together with the General Information Booklet for the Mayo Clinic Health & Welfare Benefits Plan, describe the HSA as in effect on January 1, 2023 and replaces all prior descriptions of the HSA. It is intended to provide a summary of your benefits available under the HSA.

Important Change: As a result of health care reform legislation, there has been a change that impacts HSA accounts. Effective January 1, 2011, over-the-counter drugs are not qualified medical expenses unless you have a valid prescription for the drug. In addition, the penalty for a reimbursement from an HSA for expenses that are not qualified medical expenses has been increased to a 20% penalty.

Pre-Tax HSA Is Not a Mayo Sponsored Group Health Plan nor an ERISA Plan

Once contributions are sent to Fidelity for deposit in your HSA, you control the account as to how it is invested among options offered by Fidelity Investments, whether it remains with Fidelity after initial deposit, and when and for what purpose money is withdrawn from the account. The pre-tax HSA is not a group health plan sponsored by Mayo Clinic, and it is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). You do not have rights to COBRA continuation coverage with respect to your HSA, although the HSA is your account and any amounts in it will continue to be available to you after you terminate or otherwise lose coverage under the Plan.

Mayo will maintain records to track your HSA pre-tax contributions and will forward pre-tax contributions to Fidelity Investments for deposit in your HSA. Mayo will also provide certain tax reporting related to HSA contributions you receive or make under this Plan.

CONTACT INFORMATION

Role of Fidelity Investments (Your HSA)

All contributions made through the Pre-Tax HSA are made to your HSA with Fidelity Investments. Fidelity will act as the custodian of your account.

If you enroll in Mayo Custom, Fidelity Investments will provide information to you about opening your Fidelity HSA, managing your account, obtaining a debit card, account transfers, investment options, and obtaining distributions from your HSA.

You can reach a Fidelity HSA Customer Service Representative at 1-800-544-3716. For information about opening your account and obtaining a debit card, log onto www.NetBenefits.com, a Fidelity Investments website.

Once you have established your HSA, you can obtain account information and conduct other transactions at www.Fidelity.com/atwork.

Role of Mayo ClinicHR Connect

To begin or to make changes to your HSA pre-tax election during the year, contact HR Connect at 507-266-0440 (local) or 1-888-266-0440.

Role of Medica

Fidelity Investments, not Mayo nor Medica Health Solutions (“Medica”), manages your HSA. However, if you have questions about claims for covered health services under Mayo Custom, contact Medica at 866-839-4015.

HOW THE PRE-TAX HSA WORKS

Who Is Eligible to Participate

You are eligible to participate in the Pre-Tax HSA if you meet the following requirements:

- You are not a resident of California or New Jersey
- You are not eligible or enrolled in Medicare
- You have not been covered by any health plan that is not a High-Deductible Health Plan (“HDHP”) at any time during the current calendar year
- You cannot be claimed by another taxpayer as a dependent on his or her individual income tax return

Note that you cannot simultaneously participate in the Pre-Tax HSA and the Mayo Health Care Flexible Spending Account, or the Medical Expense Reimbursement Plan (MERP). When you enroll in Mayo Custom at annual enrollment you will not be allowed to enroll in any of these other plans. If you are enrolled in any of these options, you cannot be covered under the Pre-Tax HSA until the next calendar year.

You can only receive or make pre-tax contributions to an HSA if you are eligible on the first day of that month.

You should be aware that your spouse's coverage could make you ineligible to contribute to an HSA. If you are covered under your spouse's health plan and the coverage is not an HDHP (or certain other permitted coverage), you will not be eligible to receive or make contributions to an HSA.

Enrolling in an HSA

If you enroll in Mayo Custom, you can elect to make pre-tax contributions.

If you enroll in Mayo Custom, Fidelity Investments will provide information about opening your HSA. It is important that you open your HSA promptly. Your HSA contributions to use for reimbursement of qualified medical expenses will not be deducted from payroll until it is established. See further rules under “Qualified Medical Expense” below.

Making Your Pre-Tax HSA Contribution Election

When you enroll in Mayo Custom, you specify the amount of pre-tax contributions, if any, that you wish to make to your HSA. Mayo will deduct your HSA contributions on a pre-tax basis from your paycheck for any pay period in which you are eligible to participate. Mayo will forward pre-tax contributions to Fidelity Investments within a reasonable time after being withheld from your paycheck. Fidelity Investments will provide you information about investment options it offers for your HSA. You are free at any time to move any or all of your HSA funds from Fidelity Investments to another authorized bank or other financial institution that is permitted to hold HSAs. Mayo has no authority or control over the funds deposited in your HSA. Mayo does not make any employer contributions to your HSA.

When Coverage Under the Plan Ends

Your eligibility to make pre-tax salary deferral elections to your HSA ceases on the last day of the month during the plan year in which one of the following occurs:

- Your employment with Mayo ends
- Your coverage under Mayo Custom ends

- You are no longer eligible to make HSA contributions

If you fail to satisfy the Pre-Tax HSA eligibility requirements (for example, you become covered under a non-HDHP plan of your spouse), you should notify HR Connect immediately, and your HSA pre-tax contribution election will be canceled. If you make pre-tax contributions to your HSA when you are not eligible, you may incur tax penalties.

Maximum Contributions to Your HSA

Federal tax law limits the amount that you can contribute to your HSA on a pre-tax basis each year.

For 2023, annual HSA contributions (yours plus anyone else's) cannot exceed the IRS maximum allowable amount of \$3,850 for single coverage and \$7,750 for employee and child(ren), employee and spouse, and family coverage levels ("family level"). You can contribute an additional \$1,000 per year as a catch-up contribution, if you are age 55 or older at any point during the calendar year as provided under Code Section 223. With the exception of the special 13-month testing rule described below, these maximums are prorated for the number of months you are eligible to contribute to an HSA. It is *your* responsibility (and not Mayo's) to make sure that any contributions that are made to your HSA (and contributions from any other source) do not exceed the IRS maximum allowable amount for your coverage level.

Special 13-Month Testing Rule: Contributions after Mid-year Enrollments. If you enroll in Mayo Custom midyear, you can contribute amounts up to the IRS annual maximum allowable for your coverage level, as long as you are still eligible to make a contribution as of December 1 of that year. Under a "special 13-month testing rule," you must maintain eligibility for HSA contributions through December 31 of the following year. If you fail to maintain this eligibility for the additional 13-month period, depending on the total amount of your HSA contributions in the previous year relative to the number of months during the previous year that you were eligible to make HSA contributions, some portion of your HSA contributions may need to be reported as taxable income, and you will incur tax penalties on the HSA contributions that exceed the permitted amount. There is no way to remedy this situation by taking the money out of your HSA. As a result, it is not advisable to enroll in Mayo Custom midyear unless you intend to stay in it for the next calendar year as well.

Special Rule When Spouse Has Separate HDHP Coverage. If your spouse has family level HDHP coverage under an HDHP other than Mayo Custom, the HSA contribution limit is split evenly between you and your spouse unless you agree on a different division. It is your responsibility to comply with this limit.

Changing Your Pre-Tax HSA Salary Deduction Election

You may elect at any time during the calendar year to start, stop, or change the amount of pre-tax salary deductions to your HSA on a prospective basis for the remainder of the year, subject to the statutory limits described above in *Maximum Contributions to Your HSA*. This is an exception to the change-in-status rules that apply to many pre-tax elections, and no changes can be made to your Mayo Custom election unless independently permitted as a result of a change-in-status event.

To make or change your HSA pre-tax salary deduction election, contact HR Connect.

Qualified Medical Expense

If you use your HSA for qualified medical expenses, as defined under Section 223(d)(2) of the Code, distributions from your account are tax free. Qualified medical expenses are, in general, amounts you pay for medical care (including medical, prescription drug, dental, and vision care) for yourself, your spouse, and your eligible dependents or family members (that are not paid by insurance or any other source). There is no requirement that you be covered by an HDHP to receive distributions from an HSA (even though this is one of the requirements for contributing to an HSA).

Qualified medical expenses cannot be incurred until your HSA is established. It is therefore important that you establish your HSA with Fidelity Investments promptly. For example, if you become ill on January 1 and establish your HSA with Fidelity Investments on January 15, any medical expenses relating to your illness incurred before January 15 are not qualified medical expenses. Medical expenses incurred on or after January 15 would be qualified medical expenses to the extent they are not reimbursed from any other source.

Qualified medical expenses, if used for yourself, your spouse, or an eligible dependent or eligible family member, include the following:

- Health expenses as defined by section 213(d) of the Internal Revenue Code that are not covered or reimbursable from any other source (e.g., Lasik surgery expenses — additional information can be found in Publication 502 and 969).
- Payments you make for covered medical services and covered services under Mayo Custom until you meet the deductible that applies to you
- Your coinsurance and/or copayments for covered medical services under Mayo Custom that may apply once you have met the deductible
- Your coinsurance payments for covered dental and vision services
- Your prescription drug costs and prescribed over-the-counter drug costs for drugs that provide medical care, including insulin.
- Certain premium payments for healthcare coverage, **limited to** continuation coverage under COBRA, coverage under certain long-term care insurance contracts, coverage under a health plan when you receive federal or state unemployment compensation and, if you are at least 65, premiums for health insurance other than a Medicare supplemental policy (such as the Mayo Medicare Supplement)

Using Your HSA

You can obtain a debit card or a checkbook for use with your HSA. Fidelity Investments will provide additional information about these services. With some providers you can use your debit card to pay pre-deductible charges or coinsurance amounts due at the time of your visit. You can also pay a qualifying medical expense yourself and then obtain reimbursement from your HSA. Fidelity Investments will provide you with information about how to make a claim for a distribution.

When you obtain covered medical services under the Basic Plan, Medica will process your claim and determine the cost of the service (including any negotiated fees and/or discounts that apply under Mayo Custom), then determine what portion of the cost (if any) is your responsibility. You will then pay your portion of the medical bill to your provider. If you have funds in your HSA, you can, if you wish, obtain a distribution from your HSA to reimburse yourself for the medical expense.

You must keep track of distributions you receive from your HSA for qualified medical expenses (whether before or after termination of employment). You can obtain information about your account on the www.Fidelity.com/atwork website.

Neither Medica nor Mayo Clinic will review your claims to determine whether they are qualifying medical expenses. You are responsible for using the HSA for qualified medical expenses or reporting taxable income and paying any penalty to the extent you take a distribution that is not used for a qualified medical expense.

Reimbursements from your HSA for qualified medical expenses are not taxable under federal law even if at the time of the reimbursement you are no longer eligible to contribute to the HSA. However, reimbursement for expenses that are not qualified medical reimbursements result in taxable income to you regardless of when the reimbursement is made and may be subject to an additional 20 percent penalty. For more information, consult your tax adviser and/or see IRS Publication 969 (“Health Savings Accounts and Other Tax-Favored Health Plans”).

OTHER INFORMATION

Reserved Right to Amend or Terminate Plan

Mayo Clinic reserves the right, at any time, to amend or terminate the Pre-Tax HSA for any reason in its sole discretion as to future salary deferral pre-tax contributions. Mayo Clinic's right to amend or terminate the benefit includes, but is not limited to, changes in eligibility requirements, custodian, or the pre-tax salary deferral contribution opportunity. Any prospective change to the Pre-Tax HSA will have no impact on your existing HSA account, which is your individually owned account and not subject to such changes.

Reporting Issues

Mayo will report your pre-tax HSA contributions on your Form W-2. You are responsible for all other reporting requirements relating to contributions to and distributions from your HSA in connection with filing your individual federal, state, and local tax returns.

Claims

Claims for reimbursement from your HSA are administered by Fidelity Investments in accordance with its HSA custodial agreement with you.

Tax Implications of Pre-Tax HSA

You may save federal income taxes, state income taxes, and FICA (Social Security and Medicare) taxes by participating in the Pre-Tax HSA. However, if you contribute to an HSA when you are not eligible, you may incur tax penalties. Ultimately, it is your responsibility to determine the tax treatment of your HSA benefits and it is solely your liability to report and pay taxes and penalties if required by the IRS or State revenue department.

For more information regarding

- The tax ramifications of participating in an HSA
- The terms and conditions of your HSA
- Your rights and responsibilities with respect to your HSA
- The terms of eligibility
- What constitutes a High-Deductible Health Plan
- Contributions to and distributions from your HSA

Refer to the communication materials provided by Fidelity Investments. Also, see IRS Publication 969 (Health Savings Accounts and Other Tax-Favored Health Plans). You may also wish to consult a tax or legal advisor.

Limits on HSA Contributions for Higher Paid Employees

Your contributions to your HSA are made through this Plan as a section 125 cafeteria plan that permits participants in Mayo Custom to make pre-tax HSA contributions. Your coverage and benefits provided under the Pre-Tax HSA will comply with any relevant nondiscrimination provisions in section 125 of the Internal Revenue Code. Mayo will restrict enrollment, reduce elections, and/or reduce benefits, if necessary, in such manner determined by Mayo to comply with these requirements.

[mayoclinic.org](https://www.mayoclinic.org)

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