

Understanding a High Deductible Health Plan with a Health Savings Account

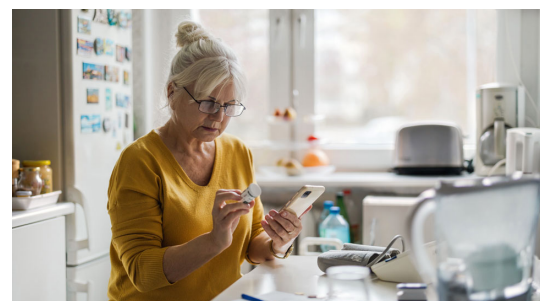
Magna understands that our employees have different medical needs and financial goals. With that, Magna will offer the **Advantage High Deductible Health Plan (HDHP) with a Health Savings Account (HSA)** as a medical option for all employees in the 2026 plan year.

This is a type of health plan that provides more control over how your health care dollars are spent. The program has two components to help pay for medical expenses: the Advantage High Deductible Health Plan (HDHP) administered by Blue Cross Blue Shield of Michigan, and the Health Savings Account (HSA) administered by WEX.

The Advantage HDHP works like a PPO plan with benefits both in and out of the BCBSM PPO network.

We begin this education process early in order to give you plenty of time to review and understand this type of plan before you have to make a decision at our annual Open Enrollment.

The following is a list of **questions and answers** which is intended to give you a general introduction to Health Savings Accounts.



HDHP and Health Savings Account Q & As

Q What is the purpose of this type of plan?

A We want to empower you to take an active role in your health care decisions! Traditionally, many of us haven't had much reason to think about the costs of medical services because employers and insurance companies have covered most of the expenses. However, with health care costs on the rise in the U.S., along with new taxes and fees related to the Affordable Care Act, some of these costs are now being shared with you. This shift helps ensure that we can continue to provide valuable health care benefits for the long term. Research shows that when individuals have High Deductible Health Plans (HDHPs), they are more motivated to manage their health care wisely. By understanding the costs and being more involved, you can make informed choices that benefit both your health and your wallet. We're here to support you in this journey!

Q What is a Health Savings Account?

A A Health Savings Account (HSA) is an investment account that can help you save money to pay for current or future qualified medical expenses that are not reimbursed through health insurance or any other health reimbursement source.

An HSA allows tax-free contributions and withdrawals, similar to 401(k) Retirement Accounts, except it is used for qualified medical expenses. Any remaining balance rolls over year-to-year and is yours to keep, regardless of job changes or retirement (there is no "use it or lose it" rule like with Flexible Spending Accounts). To be eligible to contribute money to an HSA, you must be enrolled in a qualified High Deductible Health Plan (HDHP), like the Advantage HDHP. **Please note:** Canadian commuters are not eligible for an HSA due to US tax laws.



Health Savings Account Q & As — continued

Magna will provide the HSA to employees through our vendor WEX at no charge. As long as you are enrolled in a compatible High Deductible Health Plan, you can continue to contribute to your HSA until you reach age 65 and are not eligible or enrolled in Medicare. If you enroll in Medicare Part A anytime after your Initial Enrollment Period, your Part A coverage will start 6 months back from the date you apply for Medicare but no earlier than the first month you were eligible for Medicare. To avoid a tax penalty, you should stop contributing to your HSA at least 6 months before you apply for Medicare.

An HSA gives you the freedom to spend the funds today or save them for the future. Your HSA is your account. You own it, you fund it, and you can take it with you wherever you go.

Q What is a High Deductible Health Plan (HDHP)?

A Sometimes referred to as a “catastrophic” health insurance plan, an HDHP is an economical health plan that generally doesn’t pay for the first few thousand dollars of health care expenses (i.e., your deductible) but will provide coverage after that. However, you have access to Teladoc through BCBSM for \$0 copay virtual visits for non-emergency health care services, and your HSA is available to help you pay for the expenses that the plan does not cover. You must be enrolled in a qualified High Deductible Health Plan like the one Magna offers in order to contribute to an HSA.

The IRS sets the HDHP deductible and out of pocket maximum requirements annually. Also, an HDHP is not qualified unless ALL covered services, except medical preventive care and some maintenance medications, are subject to the deductible. This includes the amount you pay for prescriptions that are not considered maintenance and are not included on the Express Scripts formulary (list).

Q How is an HSA funded?

A You can make contributions to your HSA with pre-tax dollars through payroll deductions.

You contribute to the account throughout the year. **In addition, Magna will contribute to your HSA, up to \$400 per single or \$800 per family annually! Magna’s contribution to your HSA will be made each quarter for the Plan Year. You must be enrolled in Magna’s Advantage HDHP to receive the HSA contribution.**

Q How much can I contribute to an HSA?

A For 2026, the IRS will allow contributions of up to \$4,400 for an individual or \$8,750 for a family. These amounts include the contribution provided by Magna. There are certain rules that limit your contribution amount if you are not enrolled for the entire plan year. Also, the accountholder, age 55 and older, can make catch up contributions as the owner of the HSA. We’ll spend more time on how much you can contribute to an HSA in a subsequent newsletter.

“An HSA gives you the freedom to spend the funds today or save them for the future.”



Health Savings Account Q & As — continued

Q The HSA sounds like a great option—what else should I know?

A You need to remember that the HDHP deductible must be satisfied before the plan pays for any medical and/or prescription expenses. **You** are responsible for medical and prescription expenses regardless of the amount you have saved in your HSA.

Q Will my HSA contributions be invested?

A The HSA may be a simple interest bearing account or an account that allows you to invest your contributions. Generally, there is a minimum balance requirement before you can direct your money into investment options.

WEX does offer an investment option for balances over \$1,000 in the HSA. If you are interested in the investment options, you may contact WEX for further details, once your account has been set up.

Q Is the money taxable when I withdraw it?

A Funds you withdraw from your HSA to pay for qualified health expenses, as defined by Section 213(d) of the IRS Tax Code, are tax-free. If you use your HSA funds to pay for non-qualified health expenses, the amount will be taxable and you will pay an additional 20% tax penalty. The tax penalty will not apply to individuals who are disabled or over age 65, but those funds will be taxable income in the year in which they are withdrawn if not used for qualified medical expenses.

Q Do I have to keep any records regarding my HSA?

A It is **your** responsibility to keep track of your deposits and expenditures and keep all of your receipts (necessary if you are audited by the IRS). It is **your** responsibility to adhere to the regulations governing HSAs and payment of qualified medical expenses. The consequences for not doing so will come from the IRS. We recommend you designate a place to store all your receipts so they are available when you need them.

Q Do I submit my reimbursement request to Human Resources?

A No, you will submit eligible expenses directly to WEX, who will reimburse you from the funds in your account. If you use WEX, you also have the option of using the debit card, to pay for eligible expenses at the point of service. The funds must be available in your account to pay for the cost of the service, and no overdraft is available. Neither Magna nor WEX is responsible for determining if your expense is considered a qualified medical expense.

Q Who decides whether the money I'm spending from my HSA is for qualified medical expenses?

A **You** are responsible for that decision, and therefore, should understand what medical expenses are permissible. A good resource that explains what qualified medical expenses are is IRS Publication 502. Remember to keep your receipts in case you need to defend your expenditures or decisions during an audit. (See www.irs.gov/publications/p502)



Health Savings Account Q & As — continued

Q How does an HSA compare to a Health Care Flexible Spending Account?

A There are similarities, but here is what makes an HSA different:

- Your HSA balance rolls over each year – there is no “use it or lose it” rule – so you can accumulate funds for future health expenses.
- Your HSA is portable – it’s your own account, so you use the same account from one employer to the next.
- Interest or investment earnings on the HSA funds are tax-free.
- You can spend the funds on non-healthcare items, but those funds will be taxed and an additional penalty of 20% will apply if you are under age 65.
- Only the funds accrued in the account can be used vs. a health care flexible spending account, where the entire balance is available for use on the first day of the Plan Year.
- You cannot enroll in Magna’s Health Care Flexible Spending Account if you enroll in the BCBSM HDHP and open a Health Savings Account. You can, however, enroll in the Limited Purpose Flexible Spending Account.



Q What happens to my HSA if I change medical plans or leave Magna?

A Your HSA is portable, which means you can keep your HSA even if you:

- Change jobs
- Change your medical coverage
- Become unemployed
- Move to another state
- Change your marital status

While you may only contribute to your HSA when enrolled in a qualified HDHP, you will still have access to your funds.

“Once you turn 65, you can also use your account to pay for things other than medical expenses.”

Q What happens to the money in an HSA after I turn age 65?

A You are no longer eligible to contribute to your HSA, but you can continue to withdraw funds and use them to pay for expenses such as Medicare premiums and out-of-pocket expenses (including Part A and Part B deductibles, copays and coinsurance, and long term care insurance premiums).

Once you turn 65, you can also use your account to pay for things **other than** medical expenses. If used for other expenses, the amount withdrawn will be taxable as income but will not be subject to any other penalties.

Remember, individuals **under** age 65 who use their accounts for non-medical expenses must pay income tax **and** a 20% penalty on the amount withdrawn.

Q What happens to my HSA when I pass away?

A If your spouse is designated as the beneficiary by you, your spouse becomes the owner of the HSA when you are deceased. If you designate anyone other than your spouse as the beneficiary, the value of the HSA will become taxable income to the beneficiary.

If you have specific tax questions, please contact your tax advisor for details.