NetApp®

2019 Health Savings Plan and Health Savings Account Questions

Contents

Health Savings Plan (HSP)

What is the HSP?

The HSP is a high deductible health plan (HDHP) with coverage that starts after the plan's annual deductible has been met. After the deductible is met, the plan will pay a percentage of eligible expenses until the annual out-of-pocket maximum is reached. Thereafter, the HSP will pay covered expenses at 100% for the remainder of the plan year.

How does the HSP work?

- You have PPO coverage for in- and out-of-network health care.
- You're qualified to have a Health Savings Account (HSA), a tax-advantaged account that you can use to pay for medical expenses now or in the future. With the HSA, you save pre-tax dollars, and can roll over your balance from year to year to earn tax-free interest. Due to IRS restrictions, you can only be covered by an HSA qualified plan. For employees age 65 and older (or any employees receiving Medicare), IRS rules prohibit contributions to an HSA; Individuals who are entitled to Medicare cannot contribute to an HSA and NetApp cannot make a contribution on their behalf.
- You are not eligible for HSA contributions if you have or your spouse has a Health Care Flexible Spending Account (FSA) or you are claimed as a dependent on someone else's tax return.
- You do not pay copays for services or prescriptions with this plan. Instead, when you seek care, you pay the full cost of that service until you meet the annual deductible.
- Preventive care services are covered at 100% when you visit in-network providers. Preventive care includes annual check-ups, immunizations, age-appropriate screenings and preventive prescription drugs.
- You pay for non-preventive medical and prescription drug costs until you meet the annual deductible. If you are covering more than one person, you will need to meet the family deductible before the plan will share in your medical and prescription drug costs.
    - The money NetApp gives you can be used to cover much of your annual deductible for the Health Savings Plan. So, what you pay after NetApp's contribution makes the Health Savings Plan deductible comparable to the Traditional Plan deductible—at a lower bi-weekly paycheck contribution.
- After you meet the annual deductible, you share the costs through coinsurance for both medical and prescription drugs. You'll always pay less for care when you see in-network providers.
- You're protected against really large bills. Once your expenses total the annual out-of-pocket maximum, the plan pays 100% of eligible expenses until the end of the plan year.

What is an annual deductible?

The annual deductible is a flat dollar amount you pay each year before the HSP will pay for eligible health care expenses. You do not need to pay anything for eligible preventive care, as it will be covered 100% when you use in-network providers.

What is coinsurance?

Once the deductible is met, the HSP has coinsurance. With coinsurance, the plan shares the cost of expenses with you. The plan will pay a percentage of each eligible expense and you will pay the rest.

What is the annual out-of-pocket maximum?

An annual out-of-pocket maximum protects you from major expenses. The annual out-of-pocket maximum is the most you have to pay each year for covered services. Once you reach this maximum, the plan will pay 100% of all remaining covered expenses for the rest of the plan year. Amounts you pay toward the deductible and coinsurance count toward the out-of-pocket maximum. Services that are excluded or charges above the allowed amount for out-of-network services do not count toward the out-of-pocket maximum.

Will I have fewer provider choices under the HSP?

You can see any doctor you want. You save money when you choose doctors (including specialists) and hospitals in the Anthem network. The HSP uses the same network of providers as the Traditional Plan. If you receive care outside of the network, you'll be covered but you may pay more out-of-pocket.

If I choose to enroll in the HSP, will I be able to elect coverage under a different medical plan in the future?

Yes. You may change your election during any future open enrollment. If you experience a qualified life event, you will be able to elect, change or waive coverage as permitted by IRS and HIPAA regulations.

Health Savings Account (HSA) Overview

What is an HSA?

An HSA is a special, tax-advantaged account that is owned by you and is designed to allow you to contribute funds on a pre-tax or tax-deductible basis. You may use the funds to pay for eligible medical/health care expenses. Within these FAQs, you will find information about the HSA, such as:

- How to make contributions to your HSA.
- How to use the account funds to pay for eligible medical/health care expenses.
- How to manage your account and tax reporting.

What are the benefits of having an HSA?

- You build a health care nest egg that's yours to keep—even if you leave NetApp.
- You can save your HSA funds in an FDIC-insured savings account or choose to invest in a diverse range of mutual funds.
- Money you don't use stays in your account year after year, earning tax-free interest.
- If you don't use the money for health care expenses, you can spend it on a taxable basis after age 65 for retirement or any other purpose.

What are the eligibility requirements to open an HSA?

- You must be a participant in a qualifying HDHP, such as the Health Savings Plan.
- You cannot be covered by any other health plan.
- You cannot be covered by an unlimited Healthcare Reimbursement Account and/or a general purpose health care flexible spending account established for you, your spouse or any other family member.
- You cannot be enrolled in Medicare (Part A and/or Part B).
- You cannot be covered by a government-sponsored health plan for veterans.
- You cannot be claimed as a dependent on someone else's tax return (spouses not included).
- Due to IRS restrictions, if you're age 65 or older or eligible to receive Medicare, you cannot contribute to an HSA, and NetApp cannot make a contribution on your behalf.

Opening and Funding Your HSA

If you're new to the Health Savings Plan (HSP) and have an existing HSA, you may want to transfer your HSA to HealthEquity, Anthem's HSA provider.

What is the process to open an HSA with HealthEquity?

Enroll in the Health Savings Plan (HSP) and open an HSA. Your HSA enrollment information will be sent to HealthEquity and, upon validation of your identity, your account will be established.

HealthEquity will send you a welcome kit within 10 days of opening your account. You will also receive your debit card and your PIN information in separate mailings around the same time.

Please note: Federal law requires that all financial institutions verify the identity of prospective account holders before creating a depository account in their names. Accordingly, HealthEquity will use information you have agreed NetApp can provide to HealthEquity (e.g., your name, home address, date of birth and Social Security number) to verify your identity. HealthEquity will not open an HSA in your name until it is able to satisfy the requirements of the federal government's Patriot Act.

What is the maximum amount that I can contribute to my HSA?

For 2019, your maximum total annual contribution is limited to $3,500 for individual coverage and $7,000 if you cover dependents. That means you may contribute up to $2,700 (individual) / $5,400 (family) so the total combined contributions from you and NetApp do not exceed the maximums. HSA account holders aged 55 to 65 are eligible to make an additional catch-up contribution of up to $1,000 in the calendar year. HSA contributions for any particular year may be made on, or before, the applicable tax filing deadline for that year (typically April 15).

Who can contribute to my HSA?

You, NetApp or any individual may make contributions to your HSA, as long as the total contribution to the account does not exceed the maximum annual contribution limit.

Does NetApp make contributions to HSAs?

In 2019, NetApp will make a contribution* of $800 if you enroll in employee-only coverage, and $1,600 if you cover dependents (exception: employees over age 65 and entitled to Medicare or any employee enrolled in Medicare will not receive the contribution, as you are not eligible to contribute to an HSA per IRS rules). This contribution will be deposited into your account with your first paycheck in January. Employees hired in 2019 will receive the funds in their HSA within one to two pay cycles after their elections have been processed.

Please note: NetApp's contribution counts toward the maximum total contribution limit.

** If you are hired after June 30, 2019, you will receive $400 for individual coverage and $800 if you cover dependents.*

Why am I not able to contribute the maximum amount allowed by the IRS in 2019 to my HSA?

The enrollment tool is programmed to include NetApp's contribution when calculating the maximum amount you may contribute to your HSA. You, NetApp or any individual may make contributions to your HSA, as long as the total contribution amount does not exceed the maximum amount allowed by the IRS.

How do I contribute to my HealthEquity HSA?

You can make contributions to your HSA by:

- Electing to have an amount deducted pre-tax from your paycheck and deposited directly into your HSA. This contribution will be made before Social Security, federal and most state income taxes are deducted.
- Making contributions by check in any amount up to the maximum limit. Enter your account number and tax year on the summary line of the check.
- Authorizing an Electronic Funds Transfer (EFT) from your personal checking account, either as a one-time or monthly transfer.
- Rolling over funds from another HSA or Archer Medical Savings Account (MSA).

An important note for delaying Medicare coverage and Social Security benefits: If you're already at least six months past your full retirement age when you sign up for Social Security retirement benefits, Social Security will give you six months of "back pay" in retirement benefits. This means that your enrollment in Medicare will also be backdated by six months. Under IRS rules, that leaves you liable to pay six months' of tax penalties on your HSA. To avoid these penalties, it is critical that you stop your HSA contributions six months before you apply for Social Security retirement benefits.

What happens if I contribute too much to my HSA?

The IRS imposes a penalty on excess contributions each year until corrected. Additionally, you will be required to pay tax on the interest earned on those excess contributions. You are responsible for tracking your contributions to ensure you do not exceed the maximum allowable contribution.

Since contributions are based on a tax year, excess contributions can be removed without penalty before the due date for filing your federal income tax return for the year in which the contribution was made.

You should contact your tax advisor for more information on correcting excess contributions.

Can I contribute to an HSA and general purpose Health Care FSA?

You are not eligible to deposit money into a general purpose Health Care FSA if you are depositing money into an HSA. However, you may elect to participate in the Limited Purpose Flexible Spending Account (HSA Compatible FSA), which can be used to pay for dental and vision expenses.

You may roll over up to $500 in unused funds in your Limited Purpose Flexible Spending Account (HSA Compatible FSA) at the end of the calendar year. If you have any funds remaining in the general purpose FSA as of December 31, 2018, and enroll in the Health Savings Plan for 2019, those funds will automatically be rolled over to a Limited Purpose Flexible Spending Account (HSA Compatible FSA) for 2019.

The IRS still requires fund balances in excess of $500 to be forfeited, so you should estimate your expenses carefully before electing how much to save in such an account.

How is the interest rate calculated on this account?

HealthEquity offers tiered interest rates on HSA balances. Basically, the higher the balance, the higher the interest rate. This applies to both the FDIC cash and Yield Plus options.

Are investment options available?

Once the balance in your account reaches the threshold amount specified in your HSA Custodial Account Agreement ($1,000), you may elect to participate in investment options.

How can I get more information about investments?

You can obtain more information by visiting www.anthem.com/ca and selecting "Access Your HealthEquity HSA," or contact HealthEquity Customer Service at 1 877 582 4453.

Managing Your HSA

Will I receive a new HealthEquity Visa® Health Account Card (debit card) for 2019?

Only new account holders receive new Health Account Cards. If you have an existing debit card for your NetApp HSA, you will not be receiving a new one for 2019. If you need to replace a lost or stolen card, please contact HealthEquity Customer Service at 1 877 582 4453.

How do I activate my HealthEquity Visa® Health Account Card (debit card)? How do I get my PIN?

Activation instructions will be sent with your debit card. Your PIN is assigned by HealthEquity and sent to you in a PIN mailer.

How do I change my PIN?

Your PIN is assigned by HealthEquity and it is not customizable.

Where can I use my debit card?

You can use it at approved MCC vendors, which means that you can use it at most doctors' offices and pharmacies.

How can I get an additional debit card for my family member to use for this account?

You may request an additional card through HealthEquity Customer Service by calling 1 877 582 4453 or visiting the member portal. You may also set up authorization for additional members to have access to your account.

What if I lose my debit card or it is stolen?

Immediately call HealthEquity at 1 877 582 4453 any time of the day or night. The phone system is set up to take this information, even after business hours. HealthEquity will reissue you a new card free of charge. It should arrive by mail within seven to 10 days of your reporting a lost or stolen card.

There is an unauthorized debit card transaction on my account. What do I need to do?

Immediately call HealthEquity Customer Service at 1 877 582 4453.

How do I access information online about my HealthEquity HSA?

The HealthEquity site is accessible from www.anthem.com/ca. Simply log in to www.anthem.com/ca and select "Access your HealthEquity HSA." You won't need a separate username or password to do your banking once you set up security questions and provide your email address. The HealthEquity site makes it easy for you to:

- View account activity.
- View and download your monthly statements.
- Pay health care bills online.
- Make HSA deposits, or set up recurring deposits from another bank account.
- Reimburse yourself for eligible medical, dental and vision expenses.

In addition to connecting online, you can reach HealthEquity Customer Service by calling 1 877 582 4453.

How can I assign or change the beneficiary on my account?

Go to www.anthem.com/ca, log in and select "Access Your HealthEquity HSA." Then, select *My Account*, then *Profile*, scroll to the beneficiary section and make your updates.

What if I don't select a beneficiary?

If you do not specify a beneficiary, the account will go to your estate in the event of your death and funds may be subject to taxation.

Why is it important to routinely check my HSA transaction activity?

Just like your personal checking or savings account, your HealthEquity HSA allows electronic transactions through your HSA debit card. As indicated in your debit card agreement, it is your responsibility to review your account on a periodic basis. The good news is that there are many tools to assist you with managing your HSA. Go to www.anthem.com/ca, where you can view recent transactions. Transactions are available for the life of your account. You can also review previous account statements.

What account fees am I responsible for?

You will receive a schedule of fees in your welcome kit or you can call the Customer Service number on the back of your HealthEquity debit card.

NetApp pays the monthly maintenance fee for active employees. Upon termination of employment, you would be responsible for the monthly maintenance fee.

How do I stop payment on a check I wrote?

Call HealthEquity Customer Service, using the number on the back of your debit card. Please note that there is a fee for processing a stop payment on a check (refer to the schedule of fees).

What if I never spend all my HSA funds?

All unused funds in your HSA carry over into the next year and continue to accrue interest. If you have funds in the HSA Investment Account, they will also remain available. The HSA belongs to you as an individual.

What if I choose to no longer participate in the Health Savings Plan (HSP)?

Funds deposited into your HSA remain in the account and automatically carry over from year to year. You can continue to spend any remaining funds in your HSA to pay for eligible medical expenses. In general, you are not eligible to contribute to your HSA once you are no longer enrolled in an HDHP. However, if you cease to be eligible during a particular year, you may make contributions to the HSA for the months of the year when you were eligible—up until the date for filing your tax return for that calendar year (without extensions).

What happens if I terminate my employment with NetApp?

Your HSA balance is yours to keep, even if you change jobs, retire or change medical plans.

Funds deposited into your HSA automatically carry over from year to year. You can continue to use your HSA dollars to pay for eligible health care expenses for yourself and your qualified dependents.

If I want to close my account or do a direct rollover from my HSA at HealthEquity into another HSA at another institution, what should I do?

Please contact HealthEquity Customer Service at the toll-free number on the back of your debit card.

Using Your HSA

What is considered an eligible health care expense and why is that important?

The list of "eligible medical expenses" is defined by the IRS, and it includes a wide range of dental, vision and medical expenses. You should become generally familiar with the list and consult it as needed to determine if an expense can be paid for from your HSA. For more information about eligible medical expenses, visit the IRS website at www.IRS.gov.

You are responsible for determining which expenses are considered eligible expenses and for complying with HSA spending regulations. Distributions for ineligible expenses will be subject to income tax and may be subject to an additional 20% tax. Make sure you keep all receipts so that you can document the appropriate use of these funds for the IRS. Please consult your tax advisor for additional information.

Note: Your HSA dollars can only be used to pay the eligible expenses for those individuals considered a "Qualified Dependent" as defined by the Internal Revenue Code. If you have a dependent covered under your Health Savings Plan/HDHP who is not considered a "Qualified Dependent" as defined under the IRS Code for federal tax purposes, such as a civil union partner or domestic partner or a child over the age of 18, you may not be able to use your HSA funds for their eligible expenses, even if they are covered under your medical plan. If they are covered under your medical plan, you should NOT elect Automatic Claim Forwarding. To obtain the IRS definition of a "Qualified Dependent", you may go to www.IRS.gov and refer to Publication 929.

Can I use this account for non-medical items?

You can receive tax-free distributions from your HSA to pay or be reimbursed for eligible health expenses you incur after your HSA is established. If you make withdrawals for other reasons, the amount you withdraw will be subject to income tax and may be subject to an additional 20% tax. Please remember, just like with a personal checking account, your funds roll over each year, and continue to accrue interest as long as they remain in the account.

After age 65, or once you are eligible for Medicare, or should you become disabled, you may withdraw money from your HSA for non-medical purposes without penalty. The withdrawal is treated as retirement income and is subject to normal income tax.

Do I have to have funds in my account prior to a medical expense?

No, you do not need to have the funds in your account prior to the actual medical expense. You can contribute to your HSA after your medical expense occurs. However, you can only pay for expenses with funds currently available in your account. If you have insufficient funds in your HSA, you can pay for the medical expense and then reimburse yourself when you have sufficient funds in your HSA.

Can I use funds in my HSA to pay for a prior year's health care expenses?

Per federal requirements, money in your account can only be used for eligible expenses incurred on or after you established an HSA (no matter at which financial institution the HSA was first established).

Can I use my HSA funds to pay for my family member's medical expenses?

The money in your HSA can be used to pay for eligible medical expenses of any family member who qualifies as a dependent on your tax return (including spouses).

Can I use my HSA funds for my domestic partner?

Eligible medical, dental and vision expenses for domestic partners and children of domestic partners are not reimbursable under IRS regulations. However, if your partner and/or partner's child(ren) qualify under section 152 of the IRS code as taxable dependents, you may be eligible to be reimbursed for medical, dental and vision expenses incurred by your partner and partner's child(ren) under your HSA. Your domestic partner may open an HSA at a financial institution of his/her choice and deposit up to the IRS maximum.

How can I withdraw funds from my HealthEquity HSA?

There are several ways to withdraw funds from your HSA:

- **Debit Card:** An HSA debit card will be mailed to the home address you provided when opening your account. You can use it at any approved MCC vendor.
- **Online Bill Payment:** Simply select "Access Your HealthEquity HSA" and in just a few clicks you can set up payees and schedule one- time or repeat payments. Refer to the fee schedule for any related fees.

  In order to start using the Online Bill Payment Service, you must first read and agree to the Online Bill Payment and Transfers Terms and Conditions. Once you have access to the Bill Payment functionality under the "Payments" tab, the first step you must take before you are able to schedule payments is to add a Payee – the entity to which you want to send a payment. Make sure that you include all pertinent information about the Payee to ensure your payment is properly delivered.

  On the process date, HealthEquity will verify that there are enough funds in your HSA to cover all payments scheduled for that day. If you do not have enough funds to cover a payment, the payment will not be processed and a Payment Failure- Insufficient Funds fee will be charged to your account.
- **Reimbursing Yourself:** You may choose to pay for some or all of your medical expenses out of pocket, saving receipts to track your eligible expenditures. Then, at some point in the future, you may reimburse yourself for those expenses. Go to www.anthem.com/ca, log in and select "Access Your HealthEquity HSA." Then, select "Claims and payments" and then "Reimburse Yourself." You'll be able to choose to set up an electronic funds transfer (EFT) from HealthEquity to your savings or checking account at another bank. Or, you can ask us to send you a check by mail. There will be a $2.00 processing fee to receive a check by mail.

Tax Information

What is the tax treatment of an HSA? What tax requirements exist for employees?

Payroll contributions to HSAs are made with pre-tax dollars. While the federal government created HSAs, states can choose to follow the federal tax treatment guidelines or establish their own. Please consult your tax advisor or state department of revenue for more information.

If you elect to make contributions to your HSA with after-tax funds, you should report these after-tax contributions on your federal tax return to take full advantage of possible income tax deductions associated with these contributions. If you exceed your allowable annual contribution, you may be subject to income tax and IRS tax penalty on the excess.

HSA funds can be withdrawn for non-medical reasons without penalty when the owner dies, becomes disabled, turns 65 or becomes eligible for Medicare. Those distributions will be subject to income taxes.

Are contributions subject to state taxes?

Eligible HSA contributions are not taxed by most states, but they are taxed in Alabama, California and New Jersey. Please consult your tax advisor or state department of revenue for more information.

What tax- related documentation is associated with my HSA?

The IRS requires that HSA banking institutions report HSA activity to you and the IRS. At the end of January, you will receive IRS Form 1099-SA and Form 5498- SA.

> **IRS Form 1099-SA –** This form provides you with the total distributions that were made from your HSA. You will receive a separate 1099-SA for each type of distribution you had in that tax year. The five types of distributions are: normal, excess contribution removal, death, disability and prohibited transaction. If you did not have distributions during the tax year, you will not receive a 1099.
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> **IRS Form 5498-SA –** This form provides you with the contributions that you made to your HSA in a tax year. Account holders have the right to make contributions to their HSA for a tax year until April 15 of the following year. If you make contributions after January 1 for the previous tax year, you will receive an additional updated 5498- SA in May. Remember that contributions can be made until April 15, or the business day following if April 15 falls on a weekend or holiday, for the previous calendar year.
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> **IRS Form 8889 –** This is the HSA contribution form for you to complete and attach to your IRS 1040 Form.