

**SOUTHWEST AIRLINES
BENEFITSPLUS HEALTH SAVINGS PLAN AND HEALTH SAVINGS ACCOUNT
2016 FREQUENTLY ASKED QUESTIONS**

1. What is the difference between the Health Savings Plan (HSP) and Health Savings Account (HSA)?

The **Health Savings Plan** is a new medical option in the BenefitsPlus program. The HSP has lower upfront monthly contributions, but significantly higher deductibles, higher co-insurance requirements, and a different payment structure for prescription drug coverage compared to the other two BenefitsPlus options.

The **Health Savings Account** is a tax-advantaged individual account available only to eligible Employees enrolled in the Health Savings Plan. You may save on taxes through your contributions into the account, interest earned on those contributions, and qualified medical expenses paid or reimbursed from the account.

HEALTH SAVINGS PLAN (HSP)

2. Is the Health Savings Plan the same as a traditional PPO (Preferred Provider Organization)?

No. The Health Savings Plan works similarly to a PPO in some ways—coverage for In-Network and Out-of-Network providers, deductibles, and coinsurance requirements; however, there are many differences. For example, under the Health Savings Plan you must meet the entire deductible before you receive any benefits for sick doctor's visits and the prescription drug coverage is quite different. Read below for additional information.

REQUIREMENTS

3. Is the Health Savings Plan available in BenefitsPlus and the Regular Plan?

No. The Health Savings Plan option is **only** available in BenefitsPlus. If you are currently enrolled in the Regular Plan, but would like to enroll in BenefitsPlus for 2016, then you must complete a Benefits Request for Program Change Form. You must allow at least 24 hours for the Form to be processed before you may use the online enrollment tool to select the Health Savings Plan.

4. Are there any eligibility requirements to enroll in the Health Savings Plan?

Yes; but the eligibility requirements are the same as the eligibility requirements for the other medical options. See the Annual Enrollment Guide for additional information on eligibility.

5. Can I enroll in the Health Savings Plan if I have a Committed Partner?

Yes. You may participate if you have a Committed Partner just as you can with all medical options at Southwest; however, the value of the benefits attributable to the Committed Partner program will be imputed to your income and you will be subject to applicable tax withholding on this amount. See the Committed Partner Benefits Policy for additional information on Committed Partner benefits.

6. What is the upfront monthly contribution for the Health Savings Plan option?

The upfront monthly contributions for the Health Savings Plan are lower than the upfront monthly contributions for the other BenefitsPlus options. See the 2016 Benefits Guide for specific amounts that apply to your family.

QUALIFIED PREVENTIVE CARE

7. Are my preventive care services covered in the Health Savings Plan option?

Under the Health Savings Plan option, In-Network qualified preventive care is covered at 100% *without* having to satisfy the deductible. Out-of-Network qualified preventive care will be covered at 100% up to the amount considered Eligible Charges.

8. What are considered qualified preventative care services?

Preventive care services include annual wellness exams, immunizations, well child exams, physicals, and mammograms.

9. Are my preventive prescription drugs considered “preventive care services”?

No, preventive drugs are not considered preventive care services. Preventive drugs are not covered at 100%. See the Prescription Drug Coverage section below for additional information on prescriptions.

DEDUCTIBLE

10. What is a deductible?

A deductible is the annual amount you must pay before the Health Savings Plan will begin covering a portion of your medical costs. Your upfront monthly contributions do not count toward your deductible.

11. What are the deductible amounts in the Health Savings Plan for In-Network and Out-of-Network benefits?

The annual deductibles for In-Network and Out-of-Network benefits in the Health Savings Plan option are the same amount.

- Employee Only coverage: \$1,500 per year
- All levels of Family coverage (i.e., Employee plus Spouse, Employee plus Children, Employee plus Family, or any Committed Partner coverage level): \$3,000 per year

12. Does the deductible in the Health Savings Plan work differently than the other BenefitsPlus options?

Yes. Unlike the other medical coverage options, under the Health Savings Plan, the Employee Only deductible and the Family deductible are completely separate. No one in the family is eligible to receive benefits until the entire Family deductible amount has been met. One Family member can satisfy the \$3,000 deductible or a combination of Family members can satisfy the \$3,000 in total—but, the full \$3,000 *must* be met before the plan will pay for any one individual Family member.

13. Do I have to meet separate deductibles for In-Network and Out-of-Network coverage?

No. All medical expenses incurred, both In-Network and Out-of-Network, apply to the deductible. Unlike the other medical coverage options, you are not required to satisfy separate deductibles for In-Network and Out-of-Network coverage. Under the Health Savings Plan, you only have one deductible amount to meet, and once you reach your deductible then the Plan will begin contributing toward your healthcare costs.

14. Do I have to meet the annual deductible for prescriptions?

Yes. Except for certain preventive medications, before the Plan will pay for any of the cost for your prescriptions, you must meet the annual deductible. See the Prescription Drug Coverage section below for additional information on prescriptions.

15. If I go to the doctor for a sick visit (not preventive care) on the first day of the Plan Year (January 1), what will I have to pay?

You will pay for the full cost of your care on the first day of coverage. If you go to an In-Network provider then you will receive the In-Network discounted rates for the services you receive, so you will be paying less than someone “off the street.” The amount that you pay will be credited to your deductible. Once you meet your annual deductible, then the Plan will start contributing toward the cost of your care through Coinsurance.

COINSURANCE

16. What is coinsurance?

“Coinsurance” is a term used to describe when you and the Plan each pay a portion of the cost of your health care expenses. The Health Savings Plan will begin paying “coinsurance” after you have satisfied the annual deductible—you will pay a portion of your care and the Plan will pay a portion.

17. What are the coinsurance amounts in the Health Savings Plan?

After you meet the annual deductible, the Plan will pay 80% coinsurance for In-Network benefits (you will pay 20%) and 60% for Out-of-Network benefits subject to Eligible Charges limitations (you will pay 40% plus any amounts deemed not Eligible Charges). The Eligible Charges limitation in the Health Savings Plan is the same limitation that applies to other benefit coverage options.

18. Do these coinsurance percentages apply to all health care services?

No. The Health Savings Plan coinsurance coverage amounts only apply to benefits covered under the Health Savings Plan option. They do not apply to benefits not covered under this option (e.g., infertility treatments). In addition, coinsurance does not apply to preventive care services as outlined above nor do they apply to prescriptions which have their own coverage amounts. See the Prescription Drug Coverage section below for additional information on prescriptions.

OUT-OF-POCKET MAXIMUM (OOP MAX)

19. What is an Out-of-Pocket Maximum?

The Out-of-Pocket Maximum is the maximum amount of coinsurance you will pay out of your own pocket. *Once you have reached this amount, the Plan will begin paying 100% of your health care expenses.* However, if you use Out-of-Network services, providers, or facilities, then your Out-of-Network benefits are subject to an Eligible Charges limitation which means that you may pay **more** than the Out-of-Pocket Maximum.

20. What is the Out-of-Pocket Maximum under the Health Savings Plan option?

<u>In-Network</u>	<u>Out-of-Network*</u>
Employee Only Coverage: \$6,000	Employee Only Coverage: \$8,250
All Levels of Family Coverage: \$12,000**	All Levels of Family Coverage: \$16,500

**Subject to Eligible Charges limitations. **Individual maximum for In-Network Family Coverage is \$6,850.*

21. Are the upfront contributions or the deductible counted toward the Out-of-Pocket Maximum?

Your upfront contributions are **excluded** from the Out-of-Pocket Maximum. Your deductible does count towards the Out-of-Pocket Maximum.

22. In 2016, what is the maximum amount I will pay even with a high cost claim or catastrophic event?

The total amount you will pay in the HSP in one plan year is the sum of your upfront payroll contributions and the Out-of-Pocket Maximum (the deductible is included in the Out-of-Pocket Maximum). In addition, all Out-of-Network benefits are subject to an Eligible Charges limitation which means that you could pay **more** than the Out-of-Pocket Maximum amounts listed above if you use Out-of-Network services, providers, or facilities.

23. Does the Out-of-Pocket Maximum in the Health Savings Plan work differently than the other BenefitsPlus options?

Yes. Unlike the other medical coverage options, under the Health Savings Plan, the Employee Only Out-of-Pocket Maximum and the Family Out-of-Pocket Maximum are completely separate. No one in the family is eligible to receive benefit expenses covered at 100% until the entire Family Out-of-Pocket Maximum amount has been met. New for 2016, an individual with Family coverage has an Out-of-Pocket Maximum of \$6,850. The plan will cover expenses at 100% for this individual only. A combination of Family members can satisfy the Family Out-of-Pocket Maximum amount in total—but, the full Family Out-of-Pocket Maximum *must* be met before the plan will cover all Family Member expenses at 100%.

24. Must I meet both the In-Network and Out-of-Network Out-of-Pocket Maximums before the Plan begins paying 100% of my care?

No, all expenses paid by you apply to both In-Network and Out-of-Network Out-of-Pocket Maximums—they are considered to “cross apply.” You do not have to meet each one individually; however, the Out-of-Network Out-of-Pocket Maximum is higher so before your Out-of-Network expenses are covered at 100%, you must pay more out of your own pocket. In addition, all Out-of-Network benefits are subject to an Eligible Charges limitation which means that you could pay **more** than the Out-of-Pocket Maximum amounts listed above if you use Out-of-Network services, providers, or facilities.

PRESCRIPTIONS DRUG COVERAGE

25. What are the prescription drug benefits under the Health Savings Plan option?

Unlike the other medical options, prescription drugs (excluding preventive drugs) are subject to the medical deductible under the Health Savings Plan option before the Plan begins covering any portion of the cost of your prescriptions. You will be responsible for the full cost of your prescription drugs until you reach the deductible. After you satisfy the deductible, you will pay 20% coinsurance up to the Out-of-Pocket Maximum.

26. What is the coverage for preventive drugs?

Medications on a specified list of preventive drugs are covered at 80% (you pay 20% coinsurance) *before* the deductible is met. The deductible is waived for this particular list of drugs. You may find this list on SWALife>About Me>My Benefits>Information and Forms.

27. Who makes the determination on what is considered “preventive” and what is not?

The Department of Treasury issues guidelines on the drugs considered preventive for high deductible health plans with a Health Savings Account (HSA)—like our Health Savings Plan.

28. Does the coinsurance for preventive drugs count towards my deductible or Out-of-Pocket Maximum?

Your coinsurance amount does **not** apply toward the deductible because the deductible is waived for this specified list of medications; however, your coinsurance amount **does** apply to the Out-of-Pocket Maximum.

29. Are there drug “tiers” in the Health Savings Plan, such as generic, preferred, non-preferred?

No. In contrast to the other medical coverage options, under the Health Savings Plan option, there are no specified drug tiers with varying coinsurance requirements. Non-preventive drugs (generic or brand-name) are subject to the deductible and then 20% coinsurance up to the Out-of-Pocket Maximum. You may be able to save money by using generic alternatives when available.

INFERTILITY TREATMENT AND APPLIED BEHAVIORAL ANALYSIS THERAPY

30. Are infertility treatments covered under the Health Savings Plan option?

No. The only medical coverage option that provides coverage for infertility treatment is the BenefitsPlus Choice Plus Plan option.

31. Is Applied Behavioral Analysis (ABA) Therapy covered under the Health Savings Plan option?

Yes. Applied Behavior Analysis (ABA) therapy for autism spectrum disorder is **only** covered under the Health Savings Plan option. The annual deductible, coinsurance, and Out-of-Pocket Maximum requirements apply to ABA therapy as they apply to other treatment.

32. Are there any requirements I must satisfy for my ABA Therapy to be covered?

All services for ABA Therapy for both In-Network and Out-of-Network providers require pre-notification; otherwise, coverage will be denied. Under the Health Savings Plan option, ABA Therapy (both In-Network and Out-of-Network) is generally only available from ABA agencies that employ both the Board Certified Behavior Analyst that develops the ABA treatment plan and the paraprofessionals that provide the actual ABA Therapy. To access benefits for autism coverage and meet the pre-notification requirement, call Clear Skies at 1-800-742-8911.

HEALTH SAVINGS ACCOUNT (HSA)

ELIGIBILITY REQUIREMENTS

33. Do you have to be enrolled in the Health Savings Plan (HSP) to be eligible for the Health Savings Account (HSA)?

You **must** be enrolled in a qualified high deductible health plan (HDHP) in order to open a Health Savings Account. The Health Savings Plan is the only HSA qualifying high deductible health plan offered at Southwest Airlines.

34. What eligibility requirements are there to open a Health Savings Account (HSA)?

You may refer to IRS Publication 969 for more information on eligibility requirements for an HSA. You are responsible for determining if you are an eligible individual. In summary, the requirements are:

1. You may **ONLY** have medical coverage under a qualifying high deductible health plan (HDHP).
 - You may not have coverage under a spouse's non-HDHP.
 - You may not be enrolled in Medicare (Part A or B), TRICARE or TRICARE for Life, even as secondary coverage. (If you are eligible for Medicare, but not enrolled, you may be eligible to contribute to an HSA.)
 - You must not have received Veteran Administration (VA) Benefits (medical or prescription drug) within three months of making any contribution to your Health Savings Account.
2. You may not be claimed as a dependent on someone else's tax return.
3. You, and your spouse (if any), may **not** contribute to a Healthcare Flexible Spending Account (including Southwest's Health Care Flexible Spending Account). However, you may contribute to a Dependent Care Flexible Spending Account.

35. Do any eligibility requirements apply to my Spouse?

Eligibility requirements for the HSA only apply to the Employee, except as indicated in question 34 concerning a Spouse's inability to contribute to a Healthcare Flexible Spending Account (FSA).

36. What if my spouse is enrolled in Medicare or is receiving VA Benefits?

You are eligible to open and contribute to a Health Savings Account because the eligibility requirements only apply to you, the Employee. You may still use the money in your HSA to pay the cost of qualified medical expenses for your Spouse, and you may contribute up to the Family limit as long as you enrolled your Spouse in the Health Savings Plan.

37. Am I still eligible to open a Health Savings Account if I receive pension (monetary) benefits from the Veterans Administration (VA)?

Yes. You are ineligible to open and contribute to an HSA only if you receive medical or prescription drug benefits from the VA.

38. Is there an IRS limitation on the amount of income I can earn and still be eligible to open an HSA?

No. There are no IRS income limitations restricting participation in an HSA.

39. If I enroll in the Health Savings Plan during Annual Enrollment intending to open a Health Savings Account (HSA), and then later find out I do not meet the eligibility requirements to open a Health Savings Account (HSA), can I change my medical plan enrollment option?

No. If you enroll in the Health Savings Plan intending to open a Health Savings Account, but then determine you are not eligible for the Health Savings Account, you will not be able to change to another medical option until Annual Enrollment in 2016.

40. May I contribute to my HSA after I retire?

Yes, provided you meet eligibility requirements for an HSA as described above.

41. May I contribute to my HSA if I am enrolled in Medicare?

No.

CONTRIBUTIONS TO MY HEALTH SAVINGS ACCOUNT

Contribution Limits

42. How much can I contribute to my Health Savings Account (HSA)?

The IRS determines the amount that may be contributed to a Health Savings Account each year. For 2016, you may contribute \$3,350 for Employee Only coverage and \$6,750 for Family coverage. If you will be 55 years old or older at any point during the year, then you may contribute an additional \$1,000 as a “catch-up” contribution.

43. Is my spouse also eligible to contribute an additional \$1,000 “catch-up” contribution?

If your spouse is also 55 years old or older, then your spouse may be eligible to establish a separate HSA and make a “catch-up” contribution to that account.

44. Will Southwest be contributing anything into my Health Savings Account?

Yes. For 2016, Southwest will make contributions to your Optum Bank Health Savings Account if you are enrolled in the Health Savings Plan effective January 1, 2016 AND set up your Health Savings Account with Optum Bank by September 30, 2016. Contributions are as follows:

Employee Only: \$400
Employee+Spouse/Committed Partner: \$600
Employee+Children: \$600
Employee+Family: \$750

Company contributions will be made with each paycheck beginning Jan. 5, 2016 through Oct. 5, 2016. The sooner the HSA is open the sooner the company contributions will be made to the account.

45. Who can make contributions into my Health Savings Account?

Anyone can make contributions into your account. However, you (the account holder) will benefit from the tax savings on the contribution—not the person who contributed the money.

46. What if I have more than one HSA?

You may contribute to any HSA; however, it is your responsibility to ensure that your total annual contributions to all HSAs do not exceed IRS limits. Contributions made by your family members or any other person may count toward your total annual contributions. You should consult with your personal tax advisor for additional assistance to ensure that you do not exceed IRS limits.

- 47. What if my spouse is also covered by a qualifying high deductible health plan and has an HSA through his or her employer?**
- If your spouse is also covered by a qualifying HDHP and has an HSA through his or her employer, then your contributions and their contributions when added together, regardless of which HSA they were contributed, may not exceed the Family limit.
- 48. What happens if my contributions exceed the annual limit and I contribute too much to my HSA(s)?**
- Your excess contributions may be subject to standard income tax rates plus a six percent penalty. You may be able to avoid the penalty if you correct the over-contribution prior to your tax filing deadline (generally, April 15th of the following year). If you would like to request a refund of amounts over the limit contributed to your HSA with Optum Bank, then you may mail or fax a withdrawal/distribution form (available at OptumBank.com) to Optum Bank. Earnings on the excess amount are also taxable.
- 49. Will my contributions withheld via payroll deduction be stopped automatically when I reach my applicable annual limit?**
- Yes, provided, that your only contributions are made by you through payroll deduction to your account at Optum Bank. You are responsible for ensuring that you do not exceed the contribution limit. If you make contributions to your account in addition to payroll deductions or to other accounts or if other individuals make contributions to your account or other accounts, then there is no guarantee that the contributions will stop before you reach the limit and you may be subject to the penalty described above.
- 50. How much can I contribute to the Health Savings Account if I have a Committed Partner?**
- The HSA limits are determined based on your coverage level in the medical plan—the Health Savings Plan. If you have a Committed Partner covered by the Health Savings Plan, then you have a coverage level with more than one person so you may contribute up to the Family limit of \$6,750. This limit includes Employee and Company contributions.
- 51. What are the coverage limits if my coverage in the Health Savings begins mid-year?**
- As long as your coverage in the Health Savings Plan is effective before the first day of December of the Plan Year, then you are eligible to contribute the full annual amount to your HSA up to the IRS limits described above provided you continue to participate in the Health Savings Plan (or another qualified high-deductible health plan) for the remainder of the Plan Year **as well as** the entire following year. During this time, you may not have other health care coverage that would make you ineligible to contribute to an HSA.
- 52. What if I contributed the maximum annual amount to my HSA at the beginning of the year, but my coverage in the Health Savings Plan ended mid-year?**
- If you do not have coverage on December 1st (as described in the question above), then you are only eligible to contribute to your HSA for each month you were covered by the Health Savings Plan (or another qualified high-deductible health plan). You can calculate your allowed amount by pro-rating your maximum contribution — for Employee Only or Family coverage — for the part of the year you were covered by a high-deductible plan. You can arrange to withdraw your excess contribution as described above.
- 53. Does my annual limit change if my coverage changes from “Employee Only” to “Employee plus Spouse” during the year?**
- Yes. Your contribution limit is determined based on your medical coverage level that is in effect on December 1 of the Plan Year. If you have “Employee plus Spouse” coverage on December 1, then you may contribute up to the Family level, so long as you remain an eligible individual through December 31 of the following year.
- 54. Can your Committed Partner open his or her own Health Savings Account?**
- Your Committed Partner may be eligible to open his or her own Health Savings Account if he or she has coverage in the Health Savings Plan. You should consult your personal tax advisor for additional information.

How to Make Contributions to your HSA

55. How do I make contributions to my Health Savings Account?

You may either (i) choose to have Southwest deduct your HSA contributions directly from your paycheck, in which case you must open your own account with Optum Bank (see details under HSA Bank Options), or (ii) choose to make direct contributions (for example, by personal check) to your HSA in which case you may open a Health Savings Account with the bank of your choice.

56. If I decide to make pre-tax payroll deductions, how do I elect the amount to contribute to my HSA?

You will make your contribution election PER PAY PERIOD through the online enrollment tool available on SWALife>About Me> My Benefits> Annual Enrollment. During Annual Enrollment, you will be able to go directly to this tool and make your election by selecting the Health Savings Account Tab and then “Add” or “Edit” on the left hand side of the screen.

57. How much can I contribute to my HSA each pay period?

Each year you may choose to contribute any amount per pay period up to the IRS annual limit. Your contribution amounts do not have to be equal throughout the year, and you may change, start, or stop your contribution amount during the year.

Note, however, that you may only use amounts in your HSA to pay for or reimburse for qualified medical expenses incurred *after* your account is established.

58. How do I change my HSA contribution amount withheld through payroll deductions?

To change your contribution amount during 2016, you may log in to SWALife>About Me> My Benefits> HSA Election to change your contribution amount.

59. May I contribute to my HSA with Optum Bank other than by payroll deduction?

Yes. After your account is established, you will be able to log in to your HSA through and arrange to make a deposit to your HSA from another bank account, such as a savings or checking account, one time or on a recurring basis. You may also mail a check directly to Optum Bank by using a contribution/deposit form available at OptumBank.com.

60. Will contributions made directly to my HSA—not through payroll deduction—be subject to income tax?

Contributions made to an HSA that do not exceed IRS limitations are not subject to income tax; however, the only way to make contributions using “pre-tax” money is through payroll deduction. If you make deposits directly to your HSA, then you will be using “after-tax” money, meaning that the amount will be included in your income that is subject to tax withholding on your paycheck. Contributions not made via payroll deduction can be itemized on your tax return filing and are considered an “above-the-line” deduction such that you may not have to pay federal income tax. You will, however, still pay FICA taxes on amounts contributed directly to your HSA.

61. Can I roll the money from my IRA into my HSA?

Yes. You may conduct a once in a lifetime rollover from your IRA into your HSA to help seed your account. This rollover counts toward your yearly contribution limit. At this time, you may not roll money from your HSA into your IRA.

62. May I make contributions to my HSA if I am no longer covered by a qualifying HDHP?

No. You may only contribute to an HSA when you are covered by a qualifying HDHP and are otherwise eligible; however, you may continue to use amounts in your HSA to pay or reimburse for qualified medical expenses for as long as there is money in the account.

Timing for Contributions

63. When will my paycheck deductions for my HSA contributions start?

You cannot make contributions into your HSA until the first of the month coinciding with or following active coverage in the Health Savings Plan. For those enrolling during Annual Enrollment, your coverage in the Health Savings Plan will begin on January 1, 2016. The first contribution to your Health Savings Account will not be payroll deducted until at least January 5, 2016—the first paycheck for 2016. Your contributions will **only** begin being deducted from your paycheck *after* you have opened your HSA with Optum Bank.

64. What if I do not receive a paycheck? Will any contribution amount be sent to my HSA?

If you do not receive a paycheck, then no contribution will be made to your HSA for that pay period. This “missed” contribution will not be automatically “made up” on a future paycheck. You may want to consider changing your contribution election to make up for any missed contributions from missed paychecks.

65. When will my payroll reduction contributions be posted to my Health Savings Account?

In most cases, Optum Bank will post your contributions to your Health Savings Account on the same day they are received from Southwest.

66. When will my funds be available in my account to use on a qualified expense?

Optum Bank will make funds available in accordance with the bank’s Funds Availability policy, which is linked from the bank’s website. Funds from electronic direct deposit to your account will be available on the day the bank receives the funds, usually the same day Employee’s are paid by Southwest, and with proper instructions from Southwest.

HEALTH SAVINGS ACCOUNT BANKING DETAILS

67. Which bank will be the trustee or custodian of my Health Savings Account?

If eligible, you may open an HSA with any bank. However, if you would like to use pre-tax payroll deductions to make your contributions, then you **must** open an account with Optum Bank.

68. If I choose to do payroll deductions, does Southwest open my account with Optum Bank?

No. You are responsible for opening your own HSA by logging on to OptumBank.com and completing a short online application.

69. When should I open my Health Savings Account?

If you enroll in the Health Savings Plan and would like to open an HSA, then you should do so as soon as possible. You may not use your HSA to reimburse yourself for medical expenses incurred before your account is established.

70. Do I need any specific information in order to open my account with Optum Bank?

Yes. You will need to provide certain personal information such as name, address (cannot be a PO Box), social security number as well as Southwest’s Group number—**199409**. Optum Bank will contact you directly if additional information is needed to open your account.

71. Who owns my Health Savings Account?

You own your HSA!

72. Does the money I have in my HSA rollover from year to year, or do I lose the money at the end of the year?

The money rolls over year to year. You do not lose the money in the HSA. It is your money.

73. Is my HSA FDIC insured?

Yes, your HSA is FDIC insured up to the amount you have contributed. If you choose to invest the money in the HSA, then your investments are not FDIC insured. If you would like additional information, please contact Optum Bank.

74. Does the money in an HSA earn interest?

Yes, at the rate established by the HSA custodian. Any interest earned is tax-exempt (except in a few states). For Optum Bank, your interest rate will depend on the balance in your account. If you have an HSA elsewhere, contact your bank for additional information.

75. Will I be able to access my Health Savings Account online?

Most banks provide an online option. If you open your account with Optum Bank, then you may log on to to manage your account. You may make online payments and track your spending.

76. What fees are associated with the Health Savings Account at Optum Bank?

Accounts at Optum Bank are subject to a monthly maintenance fee. You may refer to the Optum Bank fee schedule that is included with the Optum Bank welcome kit that Optum Bank will mail to your home address after you have opened your account. If you select another bank, then you should ask whether any fees will apply to your HSA.

77. Can I open separate HSAs for my dependents?

No. You may only open a Health Savings Account in your own name; however, you may use amounts in your HSA to pay for the qualified medical expenses for your dependents you claim on your tax return.

78. What happens to my HSA when my employment with Southwest ends?

Your HSA is in your name and belongs to you! It is your bank account and you may keep it even after your employment with Southwest ends. If you are enrolled in Medicare or go to another employer that does not have a qualified high deductible health plan, then you may continue to use your HSA to pay for qualified medical expenses. You may not be eligible to contribute additional funds to your HSA and you should consult with your personal tax advisor.

79. What happens to my Health Savings Account if I pass away?

If your spouse is the beneficiary of your HSA, then your HSA may be transferred to your Spouse's name and your Spouse may continue to use the HSA for qualified medical expenses tax free (as well as non-qualified expenses with income tax and penalty tax accessed). If the beneficiary is anyone other than your spouse, then the IRS requires that the account be cashed out. The beneficiary likely will be required to pay income tax on the cash value of the account but will not be subject to a penalty.

80. How do I designate a beneficiary for my Health Savings Account?

Your bank will provide instructions for designating a beneficiary. If you open an HSA with Optum Bank, then you may log in to your HSA through , select Forms and Information, and then fill out and submit the Beneficiary Designation form directly to Optum Bank. Southwest Airlines will not accept beneficiary designation forms for HSAs.

81. What happens if I do not designate a beneficiary for my HSA prior to my death?

If you do not specify a beneficiary and you are married, then your HSA will transfer to your spouse's name and become your spouse's account. If you are not married at the time of your death, then the funds will be cashed out and remitted to your estate subject to applicable taxation.

INVESTMENTS

82. Can I invest money in my Health Savings Account?

Yes. Once your account reaches a certain level typically referred to as “the investment threshold,” then most banks allow you to invest a portion of the amount in your HSA in investment options that likely include money market and mutual funds. Contact your bank for additional information.

83. Am I required to have a minimum balance in my HSA with Optum Bank before I can begin making investments?

Yes. Once your account reaches a designated value, known as the investment threshold then, if you choose, you may set up an investment account to invest a portion of your HSA in mutual funds.

84. Will my default account with Optum Bank allow me to make investments?

The default account type is the Optum eAccess. It does allow for investments after you meet the investment threshold and set up an investment account. However, you will pay a monthly investment fee with this account type if you start investing.

85. What are the account types available at Optum Bank?

Optum Bank has three account types available and has provided the following descriptions for each:

- *Optum eAccess (the default)*—If you plan to use your account often for current medical expenses, this could be a good option for you. It has the lowest fee for carrying a smaller balance.
- *Optum eSaver*—If you will be spending some now and would also like to invest for future medical expenses, this account could be a good option for you. It has competitive interest rates, moderate fees, and an option to invest for no additional fee.
- *Optum eInvestor*—If your expenses are minimal now, but you want to grow your HSA for future medical expenses, this account allows you to start investing with a lower balance.

86. How do I change my account type with Optum Bank?

You may call Optum Bank at (800) 791-9361 to change your HSA account type. You also will be sent a letter after your account has been opened for 90 days which will include a postcard you can fill out and return in order to change your account type. You cannot change your account type online.

87. What maintenance and investment fees will I be required to pay?

Most banks will charge a monthly maintenance fee and a monthly investment fee that will apply depending on your specific account type and account balance. Some banks charge additional fees. Optum Bank does not charge trading fees, front-end charges, or redemption fees. If you open an account with Optum Bank, monthly fees will apply as described below. These fees will automatically be deducted by Optum Bank each month out of your HSA.

Account Type	Optum eAccess (Default)	Optum eSaver	Optum eInvestor
Monthly Maintenance Fee	\$1 if your average balance is less than \$500	\$3 if your average balance is less than \$5,000	\$3 if your average balance is less than \$5,000
Monthly Investment Fee	\$3 (balance of \$2,000 required to invest funds)	\$0 (balance of \$2,000 required to invest funds)	\$2.50 (balance of \$500 required to invest funds)

88. Where can I find more specific information on the available investments in my HSA with Optum Bank?

You may go to . Select “Investment Opportunities” under the “Using your Health Savings Account” drop-down menu. You may also call Optum Bank at 800-791-9361.

QUALIFIED EXPENSES

89. Who determines what expenses are qualified medical expenses?

The IRS provides guidance for determining qualified medical expenses for purposes of your HSA. IRS Publication 969 explains that qualified medical expenses are those that would generally qualify for the medical and dental expenses deduction as listed in IRS Publication 502. Go to [irs.gov](https://www.irs.gov) to view these publications. **It is your responsibility to ensure that you only use HSA funds for qualified medical expenses.** If you need additional assistance to make this determination, then you should consult your personal tax advisor.

90. What are some examples of qualified medical expenses?

Qualified medical expenses are determined by the IRS and *may* include the following:

- Doctor's office visits
- Dental care, including orthodontia
- Eyeglasses, contacts and LASIK surgery
- Prescription medications
- Acupuncture
- Chiropractic services
- Hearing aids (including batteries)
- Long-term care medical expenses and insurance premiums
- Stop-smoking programs
- Physical therapy
- Psychiatric care
- Psychological counseling
- Nursing home care

91. May I use my Health Savings Account to pay for Dental and Vision expenses?

You may use your HSA to cover qualified medical expenses, which may include dental and vision expenses.

92. Is counseling from a registered dietician considered a qualified expense?

It may be considered a qualified expense— but **only** with a physician referral to treat a chronic condition.

93. May I use the money in the HSA to pay for voluntary cosmetic surgery?

Generally, cosmetic surgery is not considered a qualified expense. However, in some circumstance, the IRS may permit cosmetic surgery but only if prescribed by a physician as medically necessary.

94. May I use my Health Savings Account to cover health insurance premiums?

Generally, you may not use your HSA to pay for health insurance premiums; however, there are some exceptions. You should consult the IRS publication or your personal tax advisor for additional assistance.

95. May I use my Health Savings Account to reimburse myself for expenses incurred before the account was opened?

No. Your HSA must be open at the time the expense was incurred in order to reimburse yourself for that expense.

96. May I use my Health Savings Account to pay the cost of doctor's office visits when I am ill before I have reached my Health Savings Plan annual deductible?

Yes, you may use your HSA to pay for your doctor's visit. Some doctors may require you to pay upfront, but most will bill you later. Remember, if you use an In-Network provider, then you are only required to pay the In-Network discounted amount and not the full amount charged.

97. Do I need to have the funds in my HSA before I can use them to pay a qualified medical expense?

Yes, you must have sufficient funds available in your account at the time you pay or reimburse your medical expenses. In addition, you may only use your HSA to pay for qualified medical expenses incurred *after* your account is established.

98. May I use my HSA whenever I want to pay for non-medical expenses?

Yes. You may withdraw amounts from your HSA at any time after the account is established, however, if you do not use the amounts for qualified medical expenses, then the amount dispersed may be subject to taxation and you may be subject to a penalty of 20 percent. This penalty may not apply if you are over age 65.

99. If I am enrolled under the Health Savings Plan but I do not enroll my children in the Health Savings Plan, may I use the money in my HSA to pay for my children's medical expenses like co-pays and deductibles if they are enrolled for coverage through my Spouse's employer?

Yes. The money in your HSA may be used to pay for or reimburse qualified medical expenses for a spouse or tax dependent regardless of whether they are enrolled in the Southwest Health Savings Plan. Two things to remember: 1) You are subject to the Employee Only annual limit if you do not have other family members enrolled in the Health Savings Plan; and 2) expenses for dependents that are not enrolled in the Health Savings Plan will not be applied toward your deductible in the Health Savings Plan even if the amounts are paid out of the HSA.

100. May I use the HSA for doctors that are Out-of-Network?

Yes, you may use funds from your HSA to cover any qualified medical expenses—whether In-Network or Out-of-Network.

101. Is there a "credit card" that I can use to pay for my expense?

You will receive a debit card, but not a credit card. Once your account is open, a Debit MasterCard will be issued that you may use to access funds in your HSA.

102. Do I have to use my Debit MasterCard to pay for my qualified medical expenses?

No, you may use the online bill pay or you may order checks from Optum Bank for an additional fee.

103. Must I use the money in the account to pay for my medical expenses in the year I deposit the funds?

No, you may use the money in your account in future years including during retirement.

104. Is there a minimum reimbursement amount for the HSA?

No, there is no minimum amount.

105. If I am in another country, may I use my HSA to pay for expenses?

Yes, you may use your HSA to cover qualified medical expenses incurred in any country; however, it is likely that you will have to pay the amount upfront and then reimburse yourself.

106. What are my options if I use my HSA to pay for an expense that later is found not to be a qualified medical expense?

You may redeposit those funds that have been used in error for non-qualified expenses by completing the withdrawal correction process at your bank before the time at which your tax return is due (generally, April 15 of the following year). If you opened an account with Optum Bank, then you may obtain the form at . If you do not complete the withdrawal correction process, then the amounts withdrawn will be subject to applicable income taxes and a 20 percent penalty.

107. Do I have to keep receipts for my qualified expenses?

The IRS recommends that you retain all receipts to document your qualified medical expenses in the event you are subject to an IRS audit.

108. May I use my HSA to reimburse myself for qualified medical expenses incurred in a prior year?

Yes. You may use your HSA to pay for medical expenses incurred in a prior year but only if your ***Health Savings Account was established at the time the expense was incurred and you can substantiate the expenses.***

109. May I use amounts in my Health Savings Account to pay for medical expenses for my adult child who I enrolled under the Health Savings Plan but who is no longer a tax dependent?

No. If you enroll an adult child who is not a tax dependent under the Health Savings Plan option, although your adult child is eligible for benefits coverage, you may not use amounts deposited in your HSA to pay for or reimburse yourself for medical expenses attributable to your adult child. Amounts in an HSA may only be used to pay for qualified medical expenses of tax dependents. Your adult child may be eligible to open his or her own HSA.

110. May I use funds in my HSA to pay for or reimburse expenses for my Committed Partner?

Maybe. The IRS requires that amounts in an HSA only be used to pay for qualified medical expenses for tax dependents. It is your responsibility to ensure that amounts are only used to pay for expenses for qualified dependents. The Plan does not determine whether your Committed Partner is a qualified tax dependent. You should consult your personal tax advisor if you need additional assistance making this determination.

TAX FILING REQUIREMENTS

111. Do I report this account on my taxes?

Maybe. You may need to include additional tax reports with your annual tax filing, such as the following:

- **IRS Form 1099-SA** is provided to you by your bank and lists 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, then you will not receive a 1099.
- **IRS Form 5498-SA** is provided to you by your bank and documents the contributions that you made to your HSA during the tax year. This form is usually distributed in May because account holders may make contributions to an HSA for a tax year until April 15 of the following year.
- **IRS Form 8889** is a form that you may attach to your IRS 1040 Form to report contributions.

112. Will my Form W-2 issued from Southwest Airlines include my HSA contributions that were payroll deducted?

Yes. If you open an account with Optum Bank and elect to make your contributions through payroll deduction, then your Southwest Form W-2 will have a "W" in Box 12 with the dollar amount contributed to your HSA on a pre-tax basis.

113. Are my HSA contributions also exempt from state income tax?

Maybe. HSA contributions are not taxed by most states, but they are taxed in some states including but not necessarily limited to **Alabama, California** and **New Jersey**. Please consult your tax advisor or state department of revenue for more information.

114. Who do I contact for additional help or questions regarding my HSA or tax requirements?

You should consult with your personal tax advisor if you have additional questions regarding your HSA or tax filing requirements.