

Health Savings Account (HSA)



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Your Health Savings Account (HSA)



Eligible employees of Chevron Phillips Chemical Company LP (Chevron Phillips Chemical or the Company) who elect medical coverage under the *Value CDH Plan* have the opportunity to participate in a tax-advantaged Health Savings Account (HSA) that lets them save tax dollars on eligible health care expenses.

To be eligible to enroll in an HSA:

- You must be enrolled in the *Value CDH Plan*,
- You must not be covered by any other medical plan other than a high-deductible health plan, even if it is another family member's coverage. If you and your family members are covered by any other non-high-deductible medical insurance, such as your spouse's employer's PPO or HMO plan, you cannot contribute to an HSA, even if you are enrolled in the *Value CDH Plan*,
- You must not be enrolled in a Health Care Spending Account or receive reimbursement from a Health Care Spending Account (such as your spouse's). However, your spouse can be enrolled in a Limited Purpose Health Care Spending Account, which helps your family pay for eligible out-of-pocket dental and vision (but not medical) expenses,
- If you are a retiree, you must not have an outstanding balance in your Retiree Reimbursement Account (RRA),
- You and your spouse must not have a Retirement Health Reimbursement Account (Retirement HRA, similar to an RRA) with another employer that covers you,
- You must not be enrolled in Medicare,
- You must not be enrolled in TRICARE or TRICARE for Life (military),
- You must not be claimed as dependent on anyone else's tax return, and
- You must not have received Veterans Administration (VA) benefits within the past three months (preventive care, dental and vision services are permitted).

Note:

The Health Savings Accounts (HSAs) do not constitute "employee welfare benefit plans" for purposes of the provisions of Title I of ERISA. For more information on HSAs, please contact Fidelity at www.netbenefits.com or 1-866-771-5225.

Enrolling in the *Value CDH Plan* as your medical option doesn't automatically open your HSA. You must open an HSA as a separate step. For more information, see ***How the HSA Works*** on page 149.



How the HSA Works

The HSA, administered by Fidelity, allows you to set aside tax-free dollars to reimburse yourself for eligible health care expenses. You must be enrolled in the *Value CDH Plan* to enroll in the HSA. Although you can enroll in the *Value CDH Plan* and not the HSA, you lose out on the opportunity to accumulate tax-free funds for health care if you do so.

The process for setting up and contributing to the HSA account is as follows:

STEP 1

Decide how much you want to contribute to your HSA. You must first make your HSA election through the Chevron Phillips Benefits Service Center Web site before opening your HSA with Fidelity. To begin this process, either log on at www.cpchembenefits.mercerhrs.com or call 1-800-446-1422, option 1.

Contribution Amount

You decide how much to contribute to the account based on expenses you expect you will have during the year. When you open an HSA through Fidelity, contributions are deducted from your paycheck in equal installments throughout the year. The IRS establishes an annual dollar limit on contributions each year. If your contributions reach the dollar limit during the year, these contributions are automatically suspended. The maximum amounts you can contribute to the HSA for 2011 are:

Employee only	\$3,050
Family (Employee + 1 or more)	\$6,150

Advantages of the Fidelity HSA

You can decline to open the HSA that is offered through Fidelity, or you can go to any bank that offers an HSA. However, when you open an HSA through Fidelity:

- > You can make contributions through automated payroll deduction.
- > Chevron Phillips Chemical will pay your monthly account maintenance fee for a Fidelity HSA as long as you remain an employee or retiree.

You will not receive these benefits from Chevron Phillips Chemical if you open an account elsewhere.





As long as you're covered by the *Value CDH Plan* on December 1 of a given year, you may contribute up to the maximum annual amount specified in the chart above, regardless of the month you establish your HSA account. Please refer to IRS Publication 969, available at www.irs.gov/publications/p969, for more information about eligibility and maximum annual contribution amounts.

STEP 2

Set up the account with Fidelity. It's a good idea to sign up promptly so your contributions can begin with the first pay period once you're eligible to participate. To open your Fidelity HSA, follow the steps below:

- Complete an online application by logging on to Fidelity NetBenefits at www.netbenefits.com and clicking Health Savings Account under the Health and Insurance tab, or
- If you do not have access to NetBenefits, contact a Fidelity Representative at 1-866-771-5225 for an application.

You will receive a New Account Profile from Fidelity Personal Investments confirming that your HSA application has been approved. At that time, you will be able to view your account on NetBenefits and Fidelity.com.



You can change your contribution amount during the year — for example, if you start your contributions late or if your estimated medical expenses increase — as long as you don't exceed the annual maximum. To make a change, log on to the Chevron Phillips Benefits Service Center and process an HSA Qualified Life Event:

- Select "Process a Qualified Status Change" and choose HSA. Follow the online instructions to increase your per pay period contribution amount.
- If you don't have access to the Chevron Phillips Benefits Service Center Web site, please contact Mercer at 1-800-446-1422 (option 1).



PRORATED CONTRIBUTIONS

If you end coverage under the *Value CDH Plan* during the year, your pre-tax, lump-sum and catch-up contributions to the HSA must be prorated based on the number of months during the year that you were covered under the *Value CDH Plan* as of the first day of the month. Please refer to IRS Publication 969, available at www.irs.gov/publications/p969, for more information.

EXCESS CONTRIBUTIONS

If you contribute more than the annual IRS maximum to your HSA, the additional funds will be considered taxable income and you may need to make adjustments on your annual tax filings. These funds are subject to standard income tax rates, plus a 6% penalty unless the excess contributions (and any earnings on these excess contributions) are withdrawn by your federal tax filing deadline (including any extensions) for the applicable year. Please refer to IRS Publication 969, available at www.irs.gov/publications/p969, for more information.



STEP 3

The amount you authorize to contribute to your Fidelity HSA is automatically deducted tax-free from your paycheck. You can also make contributions by check. For information on the maximums that apply to this account, see **Contribution Amount** on page 149.

Your money is held in a Fidelity brokerage account that includes a core FDIC bank account through which deposits and withdrawals are made. You can leave your money in the core account or choose to invest your funds in a wide variety of options, including Fidelity and non-Fidelity mutual funds, ETFs, CDs, and individual stocks and bonds. You must meet certain minimums to invest in mutual funds. Any earnings on your Fidelity investments are automatically invested and grow tax-free — although your account is also subject to possible market losses.

Health Savings Accounts and Tax Savings

A Health Savings Account can help lower the taxes you pay. When you participate in an HSA through Fidelity, your contributions are taken out of your pay before federal income taxes, Social Security taxes and, in most states, state income taxes are calculated. This means you lower your taxable income — so you pay less tax.

Because this is a pre-tax benefit, your participation may slightly reduce your Social Security benefits. You should consult your personal tax advisor to determine the tax consequences for you personally.



Special IRS Rules

Because HSAs operate under Internal Revenue Service guidelines, special rules apply:

- **No enrollment in Health Care Spending Account:** You cannot enroll in an HSA if you are enrolled in or receive reimbursement from a Health Care Spending Account. Because a Health Care Spending Account is considered a health plan, enrollment in a Health Care Spending Account makes you ineligible for an HSA.
- **No account balance in your Retiree Reimbursement Account (RRA) or Retirement Health Reimbursement Account (Retirement HRA):** If you are a retiree, you must not have an outstanding balance in your RRA or Retirement HRA.
- **No “Use it or lose it”:** Unlike a Health Care Spending Account, your HSA is not “Use it or lose it.” Any money remaining in your HSA at the end of the year rolls over, and you can add more money or spend the money on eligible expenses in future years. The funds in your HSA are always yours even if you change medical plans, leave the Company or retire. For detailed information about the Fidelity HSA, see “Your Guide to Understanding a Health Savings Account” that’s located on www.benefitium.com.
- **Rollovers from other HSAs:** Rollovers from other HSAs are permitted with the following restrictions:
 - *You are permitted to make only one rollover of an HSA during a one-year period,*
 - *Rollovers to your HSA must be completed within 60 days of the date you receive the distribution from the other HSA, and*
 - *Direct rollovers to or from retirement accounts, such as 401(k), 403(b) and 457 plans, are not permitted.*
- **Transfer funds to another HSA:** You can transfer your funds to another HSA administrator at any time, but transfer fees apply. If you leave Chevron Phillips Chemical and decide to transfer your balance to another HSA administrator, you must do so within 60 days from the date that your HSA funds are distributed to you to avoid paying taxes on those funds.



Using the HSA

You can use your HSA to pay certain health care expenses incurred by you, your spouse or your dependents. You (or your dependents) do not have to be enrolled in a Chevron Phillips Chemical medical plan to use this account. However, you must be enrolled in the *Value CDH Plan* to make contributions to your HSA.

ACCESSING YOUR HSA FUNDS

If you want to use your HSA funds to pay for eligible health care expenses, you can:

- Use your HSA Debit Card to pay for services when you receive them,
- Write an HSA check to the provider or to yourself (if you have an HSA checkbook), and
- Distribute money from your HSA by requesting an Electronic Funds Transfer (EFT) to your personal bank account or request that a distribution check be mailed directly to you.

You can make payments or withdrawals from your HSA only up to your current account balance.

Note that you must keep your own records of eligible medical expenses — you don't submit claims documentation to Fidelity.

Your HSA Is Portable

Your HSA is still your account even if you:

- > Change jobs or become unemployed,
- > Change your medical coverage,
- > Move to another state, or
- > Change your marital status.

Although your tax-free contributions will stop if your employment with Chevron Phillips Chemical ends, you may continue to receive reimbursement for eligible expenses.





HEALTH CARE EXPENSES ALLOWED BY THE IRS

Only allowable expenses that are adequately documented and are not covered by insurance are reimbursed. The following is a partial list of expenses that may be eligible for reimbursement if not paid by insurance.

- Abdominal supports;
- Acupuncture;
- Automobile equipment to help any physically disabled eligible dependent;
- Back supports;
- Birth-control-related expenses;
- Bone marrow transplants;
- Braille books and magazines;
- Certain schooling for any disabled eligible dependent;
- Charges in excess of recognized charges limits under the medical plan and/or dental plan, or any other health plan under which you have coverage;
- Childbirth preparation classes;
- Chiropractic care;
- Cost of a note-taker for a hearing-impaired child while in school;
- Cost of a special diet when medically necessary and only to the extent that cost exceeds that of a normal diet;
- Crutches;
- Deductibles/co-insurance/copayments under the medical plan, dental plan and/or vision plan, or any other health plan under which you have coverage, with the exception of the Value CDH Plan;
- Dental cleanings and fillings;
- Detoxification or drug abuse centers;
- Diabetic supplies;
- Diathermy;
- Elevators (in home) for any disabled eligible dependent;
- Expenses for services connected with donating an organ;
- Eye exams, eyeglasses, contact lenses and supplies;
- Fees to use a swimming pool for exercises prescribed by a doctor to alleviate a specific medical condition;
- Guide or guide dog for any eligible dependent who is visually or hearing-impaired;
- Hearing aids;
- Home pregnancy tests;
- Household visual-alert systems for any hearing-impaired eligible dependent;
- Infertility treatment;
- Limited types of insurance premiums, including premiums for Medicare if you are 65 or older, qualified long-term care insurance, and health care continuation coverage (such as COBRA);
- Medically necessary mattresses and boards;
- Orthodontia;
- Orthopedic shoes;
- Over-the-counter medications used to treat illness, with a prescription from your doctor;
- Physical therapy;
- Prescription drugs;
- Psychotherapy;
- Radial keratotomy or LASIK surgery;
- Radiation treatments;
- Respirators;
- Routine physical exams;
- Smoking-cessation programs and products;
- Special devices, such as tape recorders and computers, for any eligible dependent who is visually impaired;
- Specialized equipment for any disabled eligible dependent;
- Speech therapy;
- Sterilization and reverse-sterilization surgery;
- Surgical stockings;
- Well-baby and well-child care;
- Wheelchairs;
- Wigs for hair loss due to disease; and
- X-rays.



New Rules for HSAs and Over-the-Counter (OTC) Medicines

Effective January 1, 2011, you will need a doctor's prescription if you want to use your HSA to pay for certain over-the-counter (OTC) medicines. While you won't need the prescription to purchase the medicines, you'll need it if you want to use your HSA to reimburse you for the cost of them. So you won't be able to use your HSA Debit Card at checkout to pay for these items.

Instead, you'll have to pay for the items up front and then write an HSA check to yourself, request an Electronic Funds Transfer (EFT) to your personal bank account or request that a distribution check be mailed directly to you.

A prescription is required to use your HSA to pay for these types of products:

- > Acid controllers
- > Allergy & sinus
- > Antibiotic products
- > Antidiarrheals
- > Anti-gas
- > Anti-itch & insect bite
- > Antiparasitic treatments
- > Baby rash ointments/creams
- > Cold sore remedies
- > Cough, cold & flu
- > Digestive aids
- > Feminine antifungal/anti-itch
- > Hemorrhoidal preparations
- > Laxatives
- > Motion sickness
- > Pain relief
- > Respiratory treatments
- > Sleep aids & sedatives
- > Stomach remedies

You do not need a prescription for other eligible OTC items such as contact lens solutions or bandages. If you have an HSA Debit Card you can still use it for these items.



HEALTH CARE EXPENSES NOT ALLOWED BY THE IRS

The following are examples of expenses not eligible for reimbursement. These include, but are not limited to:

- Cosmetic surgery and procedures (except to improve a deformity or repair injury);
- Cosmetics, toiletries;
- Custodial care in an institution;
- Expenses claimed on your income tax return;
- Expenses for which you receive reimbursement under the medical plan, dental plan, or any other health plan under which you have coverage;
- Funeral or burial expenses;
- Health club fees and dues;
- Household help;



- Meals;
- Mileage in your own car;
- Most insurance premiums, including premiums for plans maintained by the employer of your spouse or other dependent;
- Non-prescription medicine and vitamins;
- Nursing care for a well baby;
- Over-the-counter medicines without a prescription from a doctor;
- Transportation to/from work for the handicapped;
- Vacation travel for health programs; and
- Weight loss programs.

For more information about eligible expenses, see *IRS Publication 502, Medical and Dental Expenses*. This publication is available online at <http://www.irs.gov/publications/p502/index.html> and www.aetna.com. However, the list includes some things, such as insurance premiums, that aren't eligible expenses.

USING YOUR HSA FOR NON-QUALIFIED MEDICAL EXPENSES

Distributions from your Fidelity HSA that are used to pay for or reimburse nonqualified medical expenses will be included in your gross income for tax purposes and are subject to an additional 20% penalty. The 20% penalty does not apply to distributions made if you become disabled, once you reach age 65, or after your death.

For more information about eligible expenses, see *IRS Publication 502, Medical and Dental Expenses*. This publication is available online at <http://www.irs.gov/publications/p502/index.html>. However, the list includes some things, such as insurance premiums, that aren't eligible expenses.

An expense is incurred when the service is rendered — not when you are charged or billed, or when you pay the expense.



LOOKING FOR SOMETHING? TIPS FOR FINDING INFORMATION ... FAST!

There is a wealth of important information included in this summary, but who has time to look for it? Believe it or not, you can find what you need without having to search through pages and pages of information. By taking advantage of the summary's "search" function and "bookmarks," you can find the information you need in a matter of seconds.

LOOKING FOR GENERAL, BIG PICTURE INFORMATION?

Just scroll down the table of contents — or "bookmarks" — shown at the left. Click on the applicable bookmark, and you will be taken to that section of the document.

WANT SPECIFICS?

Use the summary's "search" function. To access this function:

- Select "Search" under the "Edit" menu.
- Type the word, words, or part of a word for which you want to search. If you want, you can refine the search by selecting one or more of the following options:
 - "Whole words only" to find only occurrences of the complete word you enter in the text box. For example, if you search for the word "doctor," the words "doctors" and "doctor's" will not be selected during the search.
 - "Case-Sensitive" to find only occurrences of the words that are in the case that you typed. For example, if you search for the word "doctor," the search would find "doctor," but wouldn't find "Doctor."
 - **Note:** For searching this summary, you do not need to select "Search in Bookmarks" or "Search in Comments."
- Click on "In the current PDF document" to show that you just want to search this summary. (Searching multiple PDF documents works well for PDFs that are copied onto your hard drive, but not for searching online PDFs such as our benefit summaries.)
- Click on "Search."
- All occurrences of the text for which you are searching will be shown in the results box. Scroll through the list and click on the applicable highlighted text to be taken to that text in the document.

You can also use the "Find" feature in the toolbar, but you won't be able to refine your search like you can with the "Search" function.

Click on "New search" if you want to perform another search.

(continued)



REAL-WORLD EXAMPLES ...

The following examples show you how to make the best use of the PDF search function.

■ **To find out if you can enroll your domestic partner under your plan coverage:**

- Access the search function, and search for “domestic.” The search results will be displayed in the results box. Click on the link to be taken to the exact information you need.
- Time spent searching? **5 seconds!**

■ **You are getting married, and you want to see if you can enroll your new spouse in your coverage:**

- You can save time by searching for “married,” “marriage” and “marry” all at the same time. To do so, access the search function, and search for “marr” (the first four letters of all three search terms). Every instance of “**m**arried,” “**m**arriage” and “**m**arry” in the summary will be displayed in the results box. Click on the links to see the plan provisions that apply. **Hint:** If you typed in “marr” and no instances were found, make sure the “Whole words only” box was not checked.
- Alternatively, you could have clicked on “When You Can Change Coverage” in the “bookmarks” shown at the left of the summary to be taken to that section of the summary. By scrolling through that section, you would have found the information you need in order to enroll your new spouse.
- Time spent searching? **20 seconds!**

■ **You need to take a military leave of absence and want to know how your benefits will be affected:**

- Access the search function, and search for “military.” The search results will be displayed in the results box. Click on the link to be taken to the “Military Leave” section of the summary.
Hint: Do not narrow your search too much. If you had entered a very specific term, such as “military leave of absence,” the search function would not have helped you because those exact words are not used in this summary. It is better to start with a more generic search term, such as “military,” and then narrow your search later if necessary.
- While you are reading the “Military Leave” section information, you see references to the “Uniformed Services Employment and Reemployment Rights Act (USERRA).” If you perform a follow-up search for “USERRA,” you will learn more about military leaves and your Company benefits.
- Time spent searching? **20 seconds!**