CHARGING forward with a new HSA Saver Medical Plan

Frequently Asked Questions

(as of November 9, 2023)

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GENERAL

What is a Health Savings Account (HSA)?

An HSA is a powerful tax-advantaged personal savings account designed to complement a qualified consumer-driven health plan (CDHP), such as the BorgWarner HSA Saver Medical Plan. The HSA provides a convenient, tax-advantaged way to save and pay for eligible healthcare expenses. With automatic payroll deductions, it is easy to set aside pretax dollars that you can use to pay for healthcare expenses now or in the future. Your HSA belongs to you, even if you change jobs or retire. In fact, because the HSA funds can earn interest and even be invested, it makes a great addition to your retirement portfolio.

What is a qualified Consumer-Driven Health Plan (CDHP)?

A CDHP is a type of PPO medical plan that gives you more control over your healthcare expenses when paired with an HSA. Typically, you may pay a lower monthly premium (the amount you pay out of each paycheck) in exchange for a higher deductible (meaning you pay for more of your health care items and services before the insurance plan pays). By pairing the CDHP with an HSA, you can use the money you set aside in your tax-free HSA for qualifying expenses, such as your deductible, coinsurance and other eligible expenses not covered by the CDHP.

What is a qualified medical expense?

An HSA is a great cost-savings tool. You can reimburse yourself for qualified medical, prescription drug, dental and vision expenses for yourself, your spouse and tax dependents. But it's important to know which types of expenses can be reimbursed. The IRS decides which healthcare expenses can be paid for using HSA funds and which cannot. Because the list periodically changes, it's important to confirm by referring to a complete list of eligible expenses by visiting healthequity.com or IRS Publication 502.

Why is BorgWarner discontinuing the Buy-Up HRA Medical Plan?

BorgWarner decided to discontinue the Buy-Up HRA Medical Plan effective Jan. 1, 2024, for a few reasons:

1. **Very low participation rates:** In 2023, only 8% of those enrolled in medical coverage were enrolled in the Buy-Up HRA Medical Plan. We wanted to offer a new plan that was more appealing to our employees.

2. **Added value:** Offering a new medical plan that can be paired with an HSA gives employees several valuable advantages beyond what an HRA can offer—including triple tax savings, personal ownership, interest growth, investment opportunity and portability.

3. **Greater variation:** The Basic HRA and Buy-Up HRA Medical Plans were very similar, and in most cases the Buy-Up Medical Plan was not the most cost-effective option for employees. Replacing it with the HSA Saver Medical Plan plan allows for some diversity of medical plan choice, meaning options that will better meet varying needs.

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How does the HSA differ from the HRA?

While both HRAs and HSAs are designed to help pay for eligible healthcare expenses, they are quite different. Here's a quick snapshot of the main advantages an HSA offers over the HRA:

	Current HRA	New HSA
Ownership	BorgWarner owns the account.	You own the account.
Contributions	Only BorgWarner can fund the account.	You, BorgWarner, or both can fund the account—meaning more savings potential!
Tax Advantages	Offers no tax savings for you.	You gain triple tax savings: • Money goes in TAX-FREE. • Money can grow TAX-FREE. • Money comes out TAX-FREE (for eligible expenses).
Control	You can't control when/how HRA funds are used—HRA funds are automatically used to pay expenses	You gain control over when and how to use your funds: • Use funds now to help cover out-of-pocket costs. • Save funds for the future by leaving money in the account to grow over time.
Rollovers	There's a limit to how much unused funds you can roll over from year to year.	There is no rollover limit.
Portability	HRA funds are forfeited if you leave the company.	You keep your HSA funds! They go with you if you change medical plans, leave the company or retire.
Future Savings	There's no future savings opportunity.	You can use it as an ADDITIONAL SOURCE OF SAVINGS for retirement since money can accumulate over time, there is an investment feature, and you won't pay federal income taxes when withdrawn (even in retirement) so long as you use it for qualifying expenses.

Is the set of In-Network providers, hospitals and pharmacies identical between the HRA and HSA Plans?

Yes, the provider networks are the same. To confirm your provider is in-network or to find a provider, visit mycigna.com.

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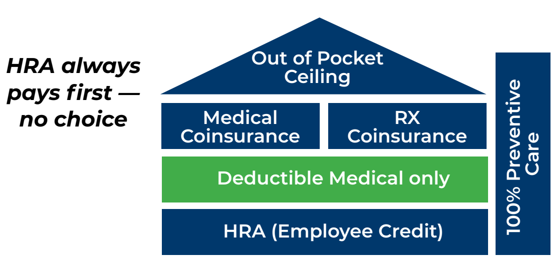
How do the primary plan design features vary between the two medical plans?

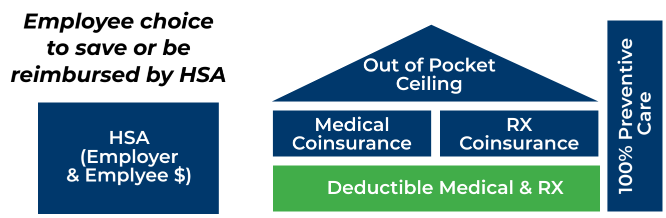
The general plan design is similar between the two plans, but differs in a few important ways:

Plan Attributes	Current 2024 HRA Medical Plan (formerly the Basic Plan)	New 2024 HSA Saver Medical Plan
What's the same:		
BorgWarner Contribution Employee Only Employee + Spouse Employee + Child(ren) Family	 $600 $900 $900 $1,200	 $600 $1,200 $1,200 $1,200
Coinsurance	Plan pays 80% You pay 20%	Plan pays 80% You pay 20%
Annual Plan Deductible *(Counts toward OOPM)* Employee Only Employee + Spouse Employee + Child(ren) Family	 $1,600 $2,400 $2,400 $3,200	 $1,600 $3,200 $3,200 $3,200
Out-of-Pocket Maximum (OOPM) Employee Only Employee + Spouse Employee + Child(ren) Family	 $4,000 $6,000 $6,000 $8,000	 $4,000 $8,000 $8,000 $8,000
Preventive Care	Plan pays 100%; no deductible required	Plan pays 100%; no deductible required
What differs:		
Account Rollover Cap Employee Only Employee + 1 Family	 $3,000 $4,500 $6,000	None; unlimited rollover
Prescription Drug Annual Plan Deductible	No	Yes, combined with Medical
Waive *Preventive* Prescription Drug Deductible	N/A	Yes

HRA Medical Plan



HSA Saver Medical Plan



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What does the HSA Saver Medical Plan cost?

You have the opportunity to pay $0 employee contributions for this plan by earning five or more wellness points.

Basic HRA Medical Plan		HSA Saver Medical Plan	
Wellness Points earned by Sept. 30, 2023	Percent of premium you pay:	Wellness Points earned by Sept. 30, 2023	Percent of premium you pay:
0	20%	**0**	20%
1-2	15%	**1-2**	15%
3-4	10%	**3-4**	10%
5+	0%	**5+**	0%

How does an HSA work?

- During open enrollment, you decide how much you want to set aside in your HSA through pre-tax payroll deductions. You may change this amount at any time.
- BorgWarner will fully fund their employer contribution to the HSA as of the first pay period in January, allowing you to immediately use those funds as you start to incur eligible healthcare costs.
- Your contributions (and BorgWarner's contributions) are deposited in an FDIC-insured special interest-earning account, which you can draw from at any time tax-free so long as you use those funds to pay for eligible healthcare expenses.
- Funds can be useful in covering your out-of-pocket deductible and coinsurance amounts, as well as any other healthcare expenses not covered by your plans.
- The full deductible must be met before the plan's coinsurance begins. For example, you would need to pay the first $1,600 (or $3,200 for Family coverage) in medical/Rx costs before services are covered at 80% by the plan.
- You have control of when and whether or not to use your account funds. You can use them to offset the deductible, similar to how the HRA funds are used, or HSA funds can be saved for later use.
- Unused HSA money at year end rolls over with no limit. It can stay in the account or be placed in an investment account that offers competitive interest rates, low fees and a variety of investment options. This provides you with the choice of whether to use or grow your account funds.

Who can use my HSA funds?

You can use your HSA dollars for qualifying out-of-pocket healthcare expenses incurred by:

- You and your spouse.
- Dependents you claim on your tax return.
- Any person you claimed as a dependent on your tax return, except if:
  - The person filed a joint return
  - That person had a gross income equal to or above the IRS limit
  - You, or your spouse if filing jointly, could be claimed as a dependent on someone else's tax return

It's recommended you consult a tax advisor if you have a domestic partner or child, you do not claim on your federal income tax return.

Will I get an HSA debit card?

Yes, accessing your HSA funds is easy! If you enroll, your HSA debit card will be issued by the HSA vendor and mailed to your home in late December. It operates like any other debit card—funds are deducted directly from your HSA account.

Will any of my HRA money roll over into my HSA Account?

No. IRS regulations will not allow employees currently in the HRA plans to transfer any funds to the new HSA plan.

How long do I have to submit my 2023 claims to my HRA before I lose my funds if I switch to the HSA plan?

Cigna will only pay 2023 runout claims through March 31, 2024 on HRA plans. For those employees who stay in the HRA, funds will rollover on Jan. 1 , 2024, but 2023 claims will only be processed through March 31, 2024. For those employees who move to the HSA plan, any 2023 HRA funds not used by March 31, 2024 will be forfeited.

What are the advantages of an HSA?

You may enjoy several benefits from having an HSA:

- You own the account.
- You, BorgWarner, or both can fund the account—meaning more savings potential!
- Triple tax savings:
  - Money goes in TAX-FREE.
  - Money can grow TAX-FREE.
  - Money comes out TAX-FREE (for eligible expenses).
- More control over when and how to use your funds:
  - Use funds now to help cover out-of-pocket costs.
  - Save funds for the future by leaving money in the account to grow over time.
- Roll over unused funds over from year to year with no rollover limit.
- You keep your HSA funds! They go with you if you change medical plans, leave the company or retire.
- Can be an additional source of savings for retirement since money can accumulate over time, there is an investment feature, and you won't pay federal income taxes when withdrawn (even in retirement) so long as you use it for qualifying expenses.

How can an HSA plan save me money?

An HSA plan may save you money through:

- Triple tax savings (money goes in tax-free, grows tax-free and comes out tax-free).
- Can reduce your out-of-pocket expenses by helping offset your deductible and other out-of-pocket medical expenses in the current year or in the future.

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How are prescription expenses handled with the HSA Saver Plan?

You will have to meet your annual deductible before the plan pays for any RX claims. This means, you will need to pay full price for any medications until you reach your deductible. Keep in mind, you can use your HSA funds (including BorgWarner's HSA contribution) to help offset your deductible costs.

How can the HSA help me save for retirement?

If you're like most people, you may think about your HSA solely as a way to pay for current-year qualified medical expenses, such as trips to the doctor or prescriptions. But it can also be used as a long-term investment vehicle that can boost your retirement savings in several ways:

- **Get ahead on taxes:** Unlike other accounts, an HSA is one of the only savings vehicles that allows you to put money in on a before-tax basis through payroll contributions, grow your savings tax-free (interest and investment earnings are not taxed), and take the money out income tax-free for qualified medical expenses. (For example, with a 401k, you'll always pay taxes when you withdraw funds but, if you use HSA funds for qualified medical expenses—it's generally 100% income tax-free). Plus, after turning 65 you can use your HSA funds for non-qualified expenses. You'll pay ordinary income tax on those funds, but the 20% tax penalty no longer applies.
- **Maximize savings by investing:** Investing HSA dollars offers many potential tax benefits and can be an additional way to save for long-term health care expenses and financial goals. Once your HSA reaches a certain designated balance, typically $2,000, you may choose to invest a portion of your HSA dollars.
- **Fill the gaps of medical costs in the future:** It's important to max out your HSA now, because once you enroll in Medicare, you can no longer contribute to your HSA—but you can still use your HSA funds income tax-free to pay for qualified medical expenses. You can also use your HSA to pay for Medicare premiums and qualified out-of-pocket expenses including deductibles, copays and coinsurance for Part A (hospital and inpatient care), Part B (doctor and outpatient care) and Part D (prescription drugs). Plus, once you turn 55, you can contribute an additional $1,000 each year to your HSA, called a catch-up contribution. If you and your spouse are both over the age of 55, you can each contribute an additional $1,000. Your spouse will just need to open their own HSA for their additional portion.

Can the unused funds in my HSA be rolled over each year?

Yes. Any unused funds will carry over from year to year with no rollover limit. In addition, your funds will accumulate without a maximum cap. However, there is an annual limit set by the IRS for the amount you can ***contribute*** to the HSA. The catch-up contribution for those at least age 55 would be in addition to that annual limit.

[Michigan Residents only] – Is the HSA Saver Medical Plan considered a "qualified health coverage" under Michigan law for Auto Insurance?

No, similar to Basic and Buy-Up HRA Plans, the HSA Saver Medical Planplan would not be considered "qualified health coverage" for the purpose of the Michigan law for Auto Insurance.

I have an existing Fidelity HSA from Legacy DT. If I sign up for HSA Saver Medical Plan, can I then contribute to the Fidelity HSA (not through BW payroll) instead of the HealthEquity HSA?

You can contribute to your former HSA account on a post-tax basis and work through adjustments on your tax filings at the end of the year. You can also request a disbursement from HealthEquity to Fidelity, but to do so you would need to fill out a transfer request form, and the process takes three business days to process the form, five business days freeze on the account, and 10 business days for the check to arrive at your other custodian bank. We do not recommend pursuing this option.

ELIGIBILITY

Am I eligible to participate in an HSA?

If you enroll in the new BorgWarner HSA Saver Medical Plan, you are then eligible to participate in the HSA. Specifically, an HSA can be established for any individual that meets all of the following:

- Is covered by another HSA-qualified medical plan (e.g., a consumer-driven health plan or high-deductible health plan)
- Is not covered by another health plan
- Is not eligible to be claimed as a dependent on another person's tax return
- Is not entitled to (enrolled in) Medicare benefits

If my spouse has a traditional medical plan (one without an HSA feature) through their employer, would that prohibit me from participating in the HSA?

Generally, no. As long as your spouse's traditional medical plan does not cover you as a dependent, you remain an eligible individual and can participate in the HSA.

If your spouse has Family coverage under a traditional medical plan) and that included covering you, then you would not be eligible to participate in an HSA. However, if, for example, your spouse had Family coverage to cover himself and your two children only (not you), then you would still be eligible to enroll in the HSA Saver Medical Plan and participate in the HSA.

My spouse has an FSA through his/her employer. Am I still eligible to participate in the BorgWarner HSA?

If your spouse participates in an FSA, you would not be eligible for an HSA. The reason for this is you are not eligible for an HSA if you are covered by "other insurance." Even though you are not covered by your spouse's health insurance, the IRS has determined that your spouse's FSA is considered "other insurance" that makes you ineligible for an HSA. An exception to this rule exists for limited purpose FSAs (those that cover vision and dental expenses only) and you would be eligible for an HSA if your spouse had a limited purpose FSA.

If I enroll in the HSA Saver Medical Plan and elect Family coverage, can my spouse and I each open an HSA?

Yes. You may both open and participate in separate HSAs, however, the total COMBINED contribution amounts must stay within the IRS Family contribution limit.

Are there any income limits affecting my eligibility?

No, everyone is eligible.

CONTRIBUTIONS

Will BorgWarner contribute to the HSA?
Yes, BorgWarner will contribute to the HSA. You can use these funds to help pay for your deductible and other eligible healthcare expenses. The amount varies based on the coverage level you elect. The contribution for 2024 will be:

- Employee Only: $600
- All other coverage tiers: $1,200

Unlike the HRA, you get to decide when and if you want to tap into your HSA funds.

Can I contribute to the HSA?
Yes. Unlike the HRA, you may contribute personal funds to the HSA on a pre-tax basis up to the annual contribution limit set by the IRS. Your contributions are made through payroll deductions BEFORE taxes are taken out—meaning they are contributed tax-free. (See further FAQs for details.)

How do I contribute to an HSA?
Your annual contribution is divided into equal amounts and deducted from your payroll before any taxes are subtracted. This means your contributions are not taxed—saving you money! In addition, you can make direct deposits at any time from your personal bank account, which will also qualify as a tax deduction on your income taxes. You can change the amount of your HSA contribution anytime throughout the year.

How much can I contribute to my HSA?
You, BorgWarner or any other individual can contribute to your HSA up to the annual limit set by the IRS. For 2024, annual contributions from all sources may not exceed $4,150 for individuals or $8,300 for families. Individuals age 55 and older may make up to an additional $1,000 "catch-up" contribution annually.

Who can make catch-up contributions?
Individuals age 55 and older can make an additional $1,000 catch-up contribution each year, per IRS rules.

If both my spouse and I are enrolled under Family coverage for the HSA Saver Medical Plan, what is the maximum amount we can contribute to the HSA?
If either spouse has the HSA Saver Medical Plan (or other HSA-qualifying medical plan) with Family coverage, both spouses are treated as having Family CDHP coverage. If each spouse has Family coverage under a separate plan, the contribution limit for 2024 is $8,300. If you and your spouse have Self-Only coverage, you may each contribute up to $4,150 in 2024.

If both spouses are 55 or older, each spouse can contribute an additional $1,000. If one spouse is 55 or older and the other is not, the spouse who is 55 or older can contribute the additional $1,000.

Can I fund my HSA at the Family level if I have Employee Only coverage?
No, if you have Employee Only coverage, you are limited to the Individual HSA contribution limit. However, you may use your HSA funds to pay for the qualified medical expenses of family members. The amount you may contribute to your HSA is limited by the level of your insurance coverage.

If my spouse has an old HSA account, can we roll it over into my new account with HealthEquity?
No, you cannot roll anyone else's HSA account (including your spouse's) into your HSA account.

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Can I change my contributions to my HSA during the year?

Yes. You may change it at any time by updating the contribution through Workday. Contact HRLink for assistance with changing contributions.

What happens if I exceed the annual HSA contribution limit?

It is your responsibility to monitor your total contributions (BorgWarner's and your own) to ensure they don't exceed the annual limit set by the IRS. (Keep in mind, the total amounts should include any other HSA contributions you made at a previous employer for the given year.) If your HSA contributions exceed the IRS contribution limits, you must report the excess amount as gross income on your income tax. You will also have to pay additional excise tax on this amount. However, you can remove the excess contributions by submitting an Excess Contribution Removal Form to HR Link within that tax year. (A fee may apply. See your HSA Bank Fee and Interest Rate Schedule for details.)

USING THE HSA

How do I use/access my HSA?

Accessing your HSA funds is easy. First, keep in mind that Cigna will automatically forward all medical claims to your HSA vendor. You can then choose to pay it using HSA funds or personal funds. Either way your medical claims information will be stored in your HSA member account.

Here are the primary ways to access your HSA:

Debit card

- You automatically receive a debit card(s) in the mail soon after you enroll; fees may apply for additional cards.
- Pay for out-of-pocket expenses directly from your HSA at the point of sale, such as at a doctor's office, pharmacy or when buying eyeglasses or contact lenses.
- Debit card purchases are limited to eligible health care merchants such as medical providers, dentists, vision providers and pharmacies.
- You may be able to use your HealthEquity HSA for medical expenses outside the United States, but there are a few restrictions. To learn more, visit the HealthEquity Help Center.

Online bill pay and withdrawals

- Pay healthcare expenses online directly from your HSA on a one-time or recurring basis. You can elect to have a check sent to you or to your provider for qualifying expenses not reimbursed by your health plan.
- You can also pay for expenses using your personal funds and request reimbursement from your HSA later.
- You can reimburse yourself by making a withdrawal via an electronic fund transfer (EFT) or have a check mailed to you.
- Daily limits may apply.

What expenses are eligible for reimbursement?

You can use your HSA to pay for a wide variety of eligible healthcare expenses, such as:

- Copays
- Deductibles
- Coinsurance
- Healthcare provider office visits
- Certain medical supplies
- Surgery, lab work, and radiology
- Prescription drugs and certain over-the-counter items
- Dental – including orthodontia
- Vision – including eyeglasses and contact lenses prescribed for corrective vision

You can also use HSA funds to pay certain insurance premiums:

- Long-term care insurance
- Health care continuation coverage (such as coverage under COBRA)
- Health care coverage while receiving unemployment compensation under federal or state law
- Medicare and other health care coverage if you are age 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap)

For a complete list of eligible expenses, go to healthequity.com/hsa-qme.

In addition, you can purchase HSA-eligible items online directly through the HSA store.

Browse prescriptions, hearing aids, contact lenses and more at hsastore.com/healthequity.

Can I pay for ongoing orthodontia treatments with my HSA even if the treatment started prior to Jan. 1, 2024?

This depends on how your orthodontist bills you for the treatments. Orthodontia services are different from normal reimbursements as the date paid is considered the date of services. If the full amount was paid in 2023, then it would not be a qualified medical expense for an HSA that is established in 2024. However, if only part of the services were paid for in 2023 and there are ongoing payments in 2024, the ongoing payments in 2024 would be qualified medical expenses for the 2024 HSA (after the date the account is established).

Do I have to spend all my HSA funds by the end of the year?

No. Unlike the HRA or FSA, unused money in your HSA is always yours to keep, and it continues to roll over from year to year and grow tax-free.

MANAGING YOUR HSA

How can I check my HSA balance and manage my account?

Once you are enrolled, you can manage your HSA all online through the HealthEquity member portal or mobile app. To get started, visit healthequity.com (or download the app). Follow the instructions and prompts for registering as a new user.

Are there any limits on the amount I must spend or on the amount I can carry over to subsequent years?

No, there are no account limits and the entire balance can be carried over from year to year.

Are there withdrawal deadlines?

There are no claim filing deadlines. If the expenses were qualified expenses and incurred after the date the HSA was activated, you can withdraw the funds from your HSA at any time.

Should I keep my receipts when I use my HSA?

Yes, it is always a good idea to keep your receipts in case the IRS requests proof that:

- The funds were used to pay or reimburse qualified health care expenses. (If they are used for non-qualified expenses, a penalty may apply.)
- The qualified healthcare expenses had not been previously paid or reimbursed from another source.
- The expenses were not taken as an itemized deduction in any year. (You will not need to send these receipts with your tax return. However, keep them with your tax records in case you are audited.)

If I do not have an HSA-compatible health plan for an entire year, or my coverage changes during the year, how much can I contribute?

If you drop your HSA-compatible health plan during the year, you must prorate your HSA contributions to avoid tax penalties. The below examples show a calendar year taxpayer whose coverage terminated on the last day in September.

Annual Contribution Limit
divided by
12 Months
multiplied by
# of months eligible
equals
Prorated Contribution

For instructions on how to update your HSA elections, please contact HR Link at HRlink@borgwarner.com.

FSA vs HSA

What is the difference between a traditional FSA and an HSA?

	Traditional FSA	HSA
Eligibility	Eligible to anyone who is not currently participating in an HSA.	Only eligible to people participating in the HSA Saver Medical Plan (or other HSA-qualified medical plan).
Ownership	BorgWarner owns the account.	YOU own the account.
Contributions	Only you can fund the account; BorgWarner is not allowed to contribute.	YOU, BorgWarner, or both can fund the account—meaning more savings potential!
Tax Savings	Can contribute on a pre-tax basis and use tax-free for qualified expenses.	YOU gain triple tax savings: • Money goes in TAX-FREE. • Money can grow TAX-FREE. • Money comes out TAX-FREE (for eligible expenses).
Qualifying Expenses	You can use for qualifying expenses related to medical dental, vision, prescription drug and OTC medications.	Offers a broader range of qualifying expenses, including expenses related to medical, dental, vision, prescription drug and OTC medications, PLUS premiums for COBRA, retiree medical insurance premiums, long-term care premiums and Medicare premiums.
Rollover	There's a limit to how much unused funds you can rollover from year to year.	All unused money rolls over year-to-year. There is no rollover limit.
Portability	FSA funds are forfeited if you leave the company.	YOU keep your HSA funds! They go with you if you change medical plans, leave the company or retire.
Building Wealth	There's no future savings opportunity; rollovers are limited and no investment option.	YOU can use it as an ADDITIONAL SOURCE OF SAVINGS for retirement since money can accumulate over time, there is an investment feature, and you won't pay federal income taxes when withdrawn (even in retirement) so long as you use it for qualifying expenses.

If I participate in an HSA, can I also enroll in an FSA?

Yes and no. You can enroll in a "Limited-Purpose Health Care FSA," but not a "Traditional Health Care FSA."

What is a Limited-Purpose FSA and how does it differ from a traditional FSA?

A Limited-Purpose Health Care FSA (LPHCFSA) is an account that functions the same way a traditional FSA does, however, the fund reimbursements are limited to qualifying dental and vision expenses only. They cannot be used for medical/prescription drug expenses.

HSA TAXES AND FEES

What are the tax advantages of an HSA?

Funds contributed to an HSA are triple-tax-advantaged.

1. **Money goes in tax-free.** The contribution is deposited into your HSA before taxes are applied to your paycheck, making your savings immediate. You can also contribute to your HSA after tax and get the same tax savings by claiming the deduction when filing your annual taxes.
2. **Money comes out tax-free.** Eligible health care purchases can be made tax-free when you use your HSA. Purchases can be made directly from your HSA, either by using your debit card or online bill pay. Or you can pay out of pocket and then reimburse yourself from your HSA.
3. **Money grows tax-free.** The interest on HSA funds grows on a tax-free basis. And, unlike most savings accounts, interest earned on an HSA is not considered taxable income when the funds are used for eligible health care expenses. In addition, if you invest your HSA, any gains accumulate tax-free.

Is tax reporting required for an HSA?

Yes. IRS form 8889 must be completed and submitted with your tax return annually to report total deposits and withdrawals from your account. You do not have to itemize to complete this form.

When must contributions be made to an HSA for a taxable year?

Contributions for the taxable year can be made in one or more payments at any time during or after the year HSA began and prior to the individual's deadline (without extensions) for filing the eligible individual's federal income tax return for that year. For most taxpayers, the deadline is April 15 of the year following the year for which contributions are made.

Can I still deduct healthcare expenses on my tax return?

Yes, but not the same expenses for which you have already been reimbursed by your HSA.

Can I withdraw the money for non-healthcare purchases?

Yes, however it may cost you. If you withdraw the money for a non-qualified expense prior to age 65, you'll be subject to your ordinary income tax, in addition to a 20% tax penalty. You can withdraw the money for any reason without penalty after age 65 but the funds would be subject to applicable income taxes if used for non-qualified expenses.

Can I roll over or transfer funds from another HSA, medical savings account (MSA) or Archer MSA into an HSA?

Yes. Pre-existing HSA funds or MSA monies may be rolled into the HSA and will continue their tax-free status. You can roll over funds from another HSA or MSA once every 12 months. Similar to a 401(k) rollover, the amount rolled over must be deposited within 60 days of receipt from the prior account, and it will not be counted toward your annual maximum-allowed contribution.

What are the fees associated with maintaining the HSA after I leave BorgWarner?

The fees on accounts after you leave BorgWarner is $3.95 per account per month (PAPM) but this fee is waived if you have a balance over $2,500.

HSA AND INVESTING

At what point can I invest my HSA funds?

Once you have an HSA balance of at least $1,000, you may elect to invest some or all of those funds.

Why would I want to invest my HSA?

When you invest your HSA funds, you give your money a chance to grow over time. Any investment gains in an HSA aren't taxed, which could give your money potential to accumulate faster—making it a good retirement tool. But realize that investing involves risk, including possible loss of the principal value.

When can I start investing my HSA funds?

Once your account balance reaches $1,000, you are eligible to transfer funds to an HSA investment account.

If I choose to invest my HSA, can I control how the funds are invested?

Yes. HealthEquity offers 29 low cost/high quality Vanguard investment funds to choose from. Simply indicate how you'd like future contributions to be allocated, like you would for a 401(k) plan.

Can I transfer funds between the cash and investment accounts?

Yes. You can transfer money between your HSA cash and HSA investment accounts at any time. Keep in mind that only the funds in your HSA cash account can be used to pay for your health care expenses. If you need to tap into your investment account to pay for eligible expenses, you will need to transfer money from that account to your cash account to access.

How can the HSA grow?

Your HSA can grow in several ways:

1. The more money you contribute and keep in your account, the more it will grow over time. Your HSA funds roll over from year to year with no rollover limit, so you don't need to worry about using it by year-end.
2. Your account balance grows with interest and that interest is free from federal and most state taxes.
3. Once you meet the minimum threshold specified by the HSA administrator, you can choose to move money to an HSA investment account and invest in a variety of mutual funds. Keep in mind, investments could result in loss of principal, so you should discuss your options with a financial advisor before making any investment elections. Money earned through investments grows free from federal taxes and most state taxes.

Note: Check with your tax advisor to understand your state's specific regulations.

Does an HSA allow you to choose a beneficiary?

Yes, you may designate a beneficiary at any time through the HealthEquity member portal or app. A beneficiary is the person or legal entity who will receive your HSA funds when you pass away. Designating a beneficiary is important to ensure that the funds in your HSA will easily transfer to your loved ones when you're gone. You can choose one beneficiary or, choose multiple and assign percentages to each.

Can I transfer my IRA into an HSA?

Yes, if you have an HSA, the law allows a once-per-lifetime tax-free transfer of IRA assets to fund an HSA (called a qualified HSA funding distribution, or QHSAFD). The maximum amount you may transfer is up to the annual HSA contribution limit set by the IRS for that year (minus any HSA contributions already made). This transfer is not taxed. See reference IRS Publication 969 for details.

Does the money in my HSA earn interest?

Yes, HSAs earn interest just like a traditional savings account. But unlike a traditional savings account, interest earned on an HSA is not taxed. Once an account meets a certain balance threshold, funds can be invested in mutual funds to maximize HSA earning potential. Any investment gains are also tax-free.

PORTABILITY

What happens to my HSA if I am terminated?

Your HSA moves with you if you are terminated. Just like your personal bank account, your HSA belongs to you, not BorgWarner.

What happens to my HSA if I leave my job or retire?

It's your money! You own the account, so you take it with you. However, you'll need to pay the administrative fees after you separate.

What happens to the money in my HSA if I no longer have the HSA Saver Medical Plan coverage?

Once you discontinue coverage and/or get secondary health coverage that disqualifies you from an HSA, you can no longer *make contributions* to your HSA. However, since you own the HSA, you can continue to *use the remaining funds* for future qualified health care expenses.

What happens to my account in the event of my death?

It is highly recommended that you choose a beneficiary when you set up your HSA. What happens to that HSA when you die depends on whom you designate as the beneficiary.

- **If it's your spouse:** Your HSA will be easily transferred to your spouse, and they will assume ownership of the account. This means they can access the funds regardless of what type of medical plan they have, but to make any contributions they must have an HSA-qualified medical plan.
- **Someone other than your spouse:** The account stops being an HSA and the balance of the account will be distributed to your beneficiary. The fair market value of your account balance will become taxable to them in the year in which you die.
- **Your estate:** You can choose to name your estate as beneficiary. The balance (assets) will be transferred to the estate and treated as taxable income on your final tax return.
- **No beneficiary is designated:** If you are married and your spouse notifies the HSA bank, the spouse will be treated as the beneficiary and the HSA will automatically transfer to the spouse along with the tax benefits. If you are single, the balance of your account transfers to your estate to be included with your final tax return.

Consider consulting with a tax professional if you have questions about the tax consequences of a beneficiary designation.

HSA AND MEDICARE

If I enroll in Medicare, can I still contribute to the HSA?

Once you enroll in Medicare, you are **no longer eligible to contribute** to the HSA. You can continue to withdraw money tax-free from your HSA and, if you are at least age 65, you can even use it for any other expenses, however, you'll pay tax on those funds. *Note: Premiums for Medigap policies are not qualified medical expenses.*

What happens if I enroll in Medicare mid-year?

You must prorate the annual contribution limit (including the catch-up amount) based on the number of months that you were eligible for during that year. For example, if you turn 65 and enroll in Medicare as of July 1st, you will need to prorate the annual contribution limit (including the catch-up amount) by June 12 since you were only eligible for six out of the 12 months during that calendar year (based on IRS Notice 2004-67).

Premium-free Part A coverage begins six months back from the date you apply for Medicare (or Social Security/RRB benefits), but no earlier than the first month you were eligible for Medicare. To avoid a tax penalty, you should stop contributing to your HSA at least six months before you apply for Medicare, if you apply after you have reached entitlement age.

Can I un-enroll in Medicare so I can continue contributing to the HSA?

Yes. You should seek the advice of the Social Security Administration to see what options are available in this situation. Also, check with your health plan to see if there are any payment limitations imposed when a participant who is eligible for Medicare does not enroll.

If I am eligible for Medicare but choose not to enroll (Part A, Part B or Part D), may I continue to contribute to an HSA?

Yes. You may contribute to an HSA until the month that you are enrolled in Medicare.

If my spouse or dependent is covered by Medicare, can I (as the HSA accountholder) continue to contribute to the HSA?

Yes. The eligibility requirements/limitations apply to the employee (the HSA accountholder), not their dependents. A spouse's Medicare eligibility has no impact on your (the employee's) eligibility to contribute to an HSA and to use those HSA funds to reimburse eligible expenses for qualified dependents, including a Medicare-eligible spouse.

BORGWARNER

ONSITE CLINICS

If enrolled in the HSA Saver Medical Plan, can I still use the onsite clinic?

Yes, however, you will be subject to the cost of the visit until your deductible is met, which varies depending on the clinic, but is generally a $35 copay per visit.

Will I need to pay out-of-pocket for the onsite health coaches?

No, health coaching is considered preventive care and is therefore covered 100% under the HSA Saver Medical Plan.

About These FAQs

This FAQs are intended to help educate you on the general features of the HSA Saver Medical Plan and HSA account. If there is a discrepancy between the contents of this document and the plan document, the plan document will govern.