Straight Facts About the Health Savings Account

Employees enrolling in the Advantage+ health plan have the option of setting up a Health Savings Account (HSA), which allows you to pay for many medical expenses with tax-advantaged dollars.

This summary looks at the facts about the HSA. See the Straight Facts about the Advantage+ health plan to learn more about the Advantage+ health plan.

The Advantage+ health plan and the Health Savings Account

If you enroll in the Advantage+ health plan, you can set up an HSA if you meet the eligibility requirements (below). But this savings account is not available if you enroll in any other medical plan offered by Boeing. Once you understand how the HSA works, you’ll see that it offers significant advantages.

Contributions

Boeing contributes to the account for eligible employees, whether or not you contribute, but you must enroll in the HSA to be eligible for Boeing’s contribution. You can add your own pretax funds to your account and change your contribution amount at any time. The following table shows contribution amounts for 2013:

<table>
<thead>
<tr>
<th>Coverage level</th>
<th>Boeing contributes</th>
<th>You can contribute</th>
<th>2013 maximum contributions*</th>
<th>If you are age 55 or older, you can contribute more**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee only</td>
<td>$600</td>
<td>$2,650</td>
<td>$3,250</td>
<td>$1,000</td>
</tr>
<tr>
<td>Employee and any dependents</td>
<td>$1,200</td>
<td>$5,250</td>
<td>$6,450</td>
<td></td>
</tr>
</tbody>
</table>

*Limited by Federal law.

**Referred to as “catch-up contributions.” If your spouse is age 55 or older, your spouse can open an HSA, if eligible, and contribute another $1,000.

Your Triple Tax Advantage in a Health Savings Account

Both the money you and Boeing add to an HSA have no Federal taxes, and in most cases, no state taxes, providing three tax advantages on:

1. Contributions to the account.
2. Interest and earnings on the account (you earn interest on the money in your account and you can invest it once the balance reaches $2,000).
3. Withdrawals for qualified medical expenses.
Ownership
You own the account, and any unused balance rolls over from year to year. No “use it or lose it” rule applies and you can take it with you if you change medical plans or leave Boeing employment. You even can use your HSA after you retire, which can be especially important when relying on a monthly fixed income.

Eligibility
According to Federal rules, to be eligible for an HSA, you must be enrolled in a qualified high-deductible health plan — one with a minimum annual deductible of $1,250 for self-only coverage or $2,500 for family coverage. The Advantage+ health plan meets this requirement.

However, you are not eligible if you have certain types of other medical coverage – for example, a spouse’s health care plan (unless it is also a high-deductible health plan), a spouse’s flexible spending account (FSA), Medicare or Tricare.

These rules about other coverages apply to you. If you (the employee) do not have any of these other coverages, but your spouse does, you can still enroll for family coverage under the Advantage+ health plan, elect an HSA and get the Boeing HSA contribution for the family level of coverage. And you can use your HSA for your spouse’s medical expenses.

If you (the employee) have any of these other coverages and are not eligible for an HSA, you can still choose to enroll in the Advantage+ health plan with its lower paycheck contributions.

Paying expenses from a Health Savings Account
You can use the funds to pay for current medical expenses, including expenses that count toward the Advantage+ health plan deductible. You can also pay qualified dental and vision expenses. In addition, you have the option to pay some expenses out of pocket and save the money in your account for future qualified expenses, including certain retiree medical expenses.

If you enroll in the HSA, you’ll receive a Visa debit card that you can use to pay most expenses. You can also use the secure HealthEquity website to pay your expenses directly from your account, including payment to a provider or to reimburse yourself. You will receive more information about your options during annual enrollment.

What expenses can be paid: Qualified medical expenses that you can pay from your account are generally those that would otherwise qualify as a tax deduction as outlined in IRS Publication 969 — Health Savings Accounts and Other Tax-Favored Accounts and Publication 502 — Medical and Dental Expenses. That would include expenses that would apply to the Advantage+ health plan deductible and out-of-pocket expenses for vision and dental care.

Whose expenses can be covered: The money in an HSA can be used to pay for qualified medical expenses of any family member who qualifies as a dependent on your tax return, even if the family member is not covered on your health plan. Conversely, you can’t use the HSA for someone who doesn’t qualify as a tax deduction, even if they are covered on your health plan — for example, you can’t use the HSA for a child who wouldn’t qualify as a tax deduction, or for a domestic partner who doesn’t meet the requirements of IRS Code Section 152.
**Growing your account**

Boeing’s contributions and any contributions that you add are initially deposited to an FDIC-insured account that earns interest. Once the value of your account reaches $2,000, you’ll have the opportunity to invest in a selection of mutual funds.

**Where’s the money?**

HealthEquity administers the HSA. HealthEquity is the nation’s oldest and largest dedicated health savings plan trustee. You will receive more information on how to open your account and account management details in the enrollment materials.

**Health Savings Account versus Flexible Spending Account**

Both accounts help you save on taxes on the money you set aside to pay qualified medical expenses. You can choose a Health Care FSA, no matter which health plan you select*. But, because of Federal rules, you can only open an HSA if you enroll in the Advantage+ health plan.

*If you enroll in the Advantage+ health plan, and you choose both an HSA and an FSA, special rules apply to the FSA. Basically, you cannot pay expenses from the FSA to cover expenses that would apply to the Advantage+ health plan deductible. But, you can use the FSA to pay eligible dental and vision expenses, and you can use it for medical expenses after you have satisfied the deductible.

Here are key differences between the two types of accounts:

<table>
<thead>
<tr>
<th>Feature</th>
<th>Flexible Spending Account</th>
<th>Health Savings Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing contributes to your account</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>You contribute to your account</td>
<td>Yes, if you choose to</td>
<td></td>
</tr>
<tr>
<td>Use the money in your account by year end or lose it</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Carry over account balances from year to year</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Portable — take the account with you, if you leave Boeing</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Interest or investment earnings on the money in the account</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>2013 limit on contributions</td>
<td>$2,500</td>
<td>$3,250 single</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$6,450 with dependents (Company and employee contributions combined*)</td>
</tr>
<tr>
<td>Expenses qualified for payment from the account</td>
<td>Generally the same, but see the earlier section. See also IRS Publications 502 and 969.</td>
<td></td>
</tr>
</tbody>
</table>

*Not counting $1,000 catch-up contribution for those age 55 or over.
**Important Information**

The HSA isn’t subject to ERISA, the Federal law that governs employer-sponsored benefit plans (such as the medical portion of the Advantage+ health plan). Because Boeing doesn’t sponsor or endorse the HSA, there are some differences between it and medical plans sponsored by Boeing:

- You can continue contributing to your HSA after you leave Boeing if you’re enrolled in a high-deductible health plan and meet all other contribution requirements. You can also move it to another qualified HSA.

- HealthEquity administers the HSA and is the HSA custodian; neither Boeing nor the Employee Benefit Plans Committee will have any involvement in HSA administration or claim issues.

- The HSA is your personal account with HealthEquity. As a result, Boeing can’t sponsor or endorse it.

- You can continue to maintain your HSA or transfer it after you leave Boeing.