Frequently Asked Questions

Personal Health Account Plans

Health Savings Accounts

Gulfstream
A GENERAL DYNAMICS COMPANY

Gulfstream and many other General Dynamics companies offer a new type of health plan — the Personal Health Account Plan. The Personal Health Account Plan is a “high deductible” plan that enables you to have a health savings account (HSA).

Recognizing that this type of plan and HSAs are new to our employees, we’ve dedicated this communication to providing answers to some of the questions you may have. If you have any further questions, please contact the General Dynamics Service Center at 1-888-GD-BENEFITS (1-888-432-3633) or your Gulfstream benefits department at Ext. 2-3500 or benefits@gulfstream.com .

What's Inside

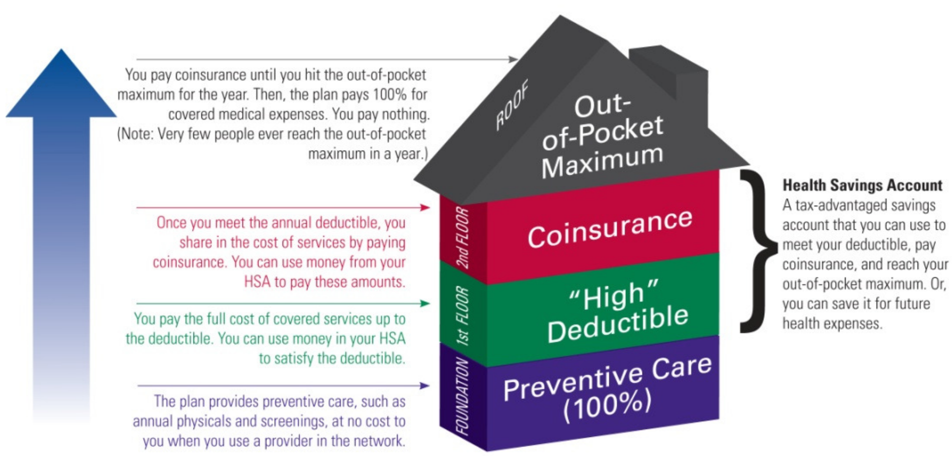
The Personal Health Account Plan

Exactly how does this type of plan work?
A Personal Health Account Plan has two key features:

1. A **health plan** that provides the medical and prescription coverage you need.
2. A **tax-advantaged account (a health savings account)** that lets you save money to cover medical expenses now and/or in the future.

Think of the plan as a house. Here is the way the plan is designed:

- The foundation of a plan like this is preventive care. Annual physicals and certain preventive screenings like mammograms are covered at 100% in network — the plan pays the full cost.
- For all other covered services, you first meet a deductible before the plan begins to pay benefits. It's a "high deductible" plan so you can also set up a health savings account alongside the plan, if you wish.
- Once you meet the in-network deductible, you pay coinsurance on medical services (typically 10%) and the plan will pay the remaining 90% of covered expenses. Out-of-network costs will be higher.
- You can use the money in your HSA to pay for any of your out-of-pocket costs, including meeting the deductible and coinsurance amounts.
- Once you reach the out-of-pocket limit in a year, the plan pays 100% of all covered expenses for the rest of that year. This provides you with the protection you need for your financial security.



Why do people choose this type of plan?

There are many reasons why people choose to participate in a high deductible plan with a health savings account.

- **Tax-Advantaged Savings –** This type of plan lets you build up a health savings account with triple tax advantages. (1) There's no tax on the money when it goes in, so it lowers your taxable income today. (2) It grows tax free over the years, as investment returns on money in the account are not taxed while in the account. (3) There's no tax when you take money out of the account as long as you use it for medical expenses (including paying for medical coverage in retirement). You can also use the money for other purposes, though the money will be taxed if used for anything other than health care expenses. There is a 20% tax penalty on funds you withdraw for non-health purposes before you reach age 65. This penalty does not apply once you reach age 65 or are permanently disabled. (Note: Some states may tax money in your HSA, though most do not.) More information the HSA can be found on page 7.
- **Portable –** You can take the money in your account with you if you leave Gulfstream for any reason, including retirement. And you can leave the money in the account as well. You, not Gulfstream, own the account.
- **Flexibility –** You can change your contribution amount at any time.

Why doesn't everyone participate in a plan like this one?

Everyone's situation is different, but here are a few common reasons.

- **High Deductible –** A plan like this one has a relatively high deductible that, except for certain preventive care services, must be satisfied before the plan begins to pay benefits. However, you can use the money in your HSA to help you meet part or all of the deductible.
- **Cash Flow –** You may incur expenses during the early stages of your participation in this plan before you have built up enough in your HSA to cover those expenses. This is an issue that is less likely to happen over time as you build savings in your account. Plus, an employer contribution to your HSA will be made in early January so there will be money in your HSA for you to use.
- **Comparing Health Care Costs –** Some people aren't familiar with how to find the most cost-effective and highest-quality health care services. Getting this information really helps you understand how the health system works and how you can affect the costs you pay for medical care. As more people understand how their decisions affect the cost and quality of medical care they receive, we'll be able to ensure our health care dollars are being spent wisely.

Is there an easy way I can compare this plan with other plans available to me?

Yes. Prior to annual enrollment, you can access the Health Care Cost Summary (HCCS) tool available at www.gdbenefits.com. This online tool can help you compare plan options.

If I choose this plan, will I be able to see the same doctors as in the PPO plan?

Yes, the network for this plan is the same network used for our PPO plans, so you should be able to see the same providers you do now.

If I choose this plan, will my physician be familiar with it?

Most likely your physician would know about this type of plan because these plans are becoming more and more common today. If you (or your doctor's office) ever have questions about your coverage, you can always call the Member Services telephone number that's on your medical ID card.

How are preventive care services covered under the Personal Health Account Plan?

Under the Personal Health Account Plan, nearly all preventive care services are covered at 100% in-network. The following are preventive services that may be covered:

- Annual physicals/Well child visits
- Annual GYN exams and Pap smears
- Mammograms
- Flu vaccines

What about medical services other than preventive care? How will my cost for these services be determined in a Personal Health Account Plan?

You will pay the cost of the in-network medical services based on the rate that has been negotiated by your health plan. Once you meet your deductible, you pay coinsurance (typically 10%) on all services until you reach the out-of-pocket maximum. Then, all eligible medical expenses will be paid in full by the plan for the rest of the calendar year. Your costs will be subject to the in-network or out-of-network provisions of the plan.

What about the costs of prescription drugs? How are those costs handled?

By law, prescription drug costs must be part of the overall coverage for this type of plan, meaning that they are subject to the deductible and coinsurance. You must pay the full (negotiated through our health plan) cost of prescription drugs until you meet your deductible, then the plan will pay 90% of the cost of those drugs until you reach your out-of-pocket maximum for the year. Once you reach your out-of-pocket maximum your prescription drugs are covered at 100%. (In the PPO plan, prescription copays do not apply to the out-of-pocket maximum.)

How do I pay for services under this plan?

Since you need to meet a deductible before benefits are paid (except for preventive care), you should have your provider file your claim BEFORE you make any payments. In-network providers should file the claim for you. Then, when you receive your Explanation of Benefits (EOB) from your health carrier, you will know the exact amount owed and can make payment to your provider using funds in your HSA or by paying out-of-pocket.

If you are filling a prescription, you may simply use the HSA debit card you will receive to make the payment. The pharmacist should be able to calculate the amount you owe — whether the full amount because you haven't reached your deductible or your share of coinsurance (typically 10%) if you have met your deductible.You may also choose to pay for your prescription drugs out-of-pocket.

Health Savings Accounts (HSAs)

How do I contribute to the health savings account (HSA)?

The Personal Health Account Plan allows YOU to save in your HSA during the year. You decide on the amount to contribute and you may change it anytime during the year.

Your election amount will be taken out of each paycheck in equal installments throughout the year, totaling the amount you designated for the year. Your HSA contributions will be taken out before taxes are calculated, so you'll end up saving some additional money in taxes.

You can also make additional after-tax contributions (up to the annual IRS limits) by check or electronic funds transfer to HealthEquity, our HSA administrator. In this case, you could then record these after-tax contributions on your tax return and receive a tax credit.

You are not required to contribute to the HSA under the plan, though most people choose to contribute to the account because of the tax advantages. Unlike flexible spending accounts, money you put into an HSA isn't "lost" at the end of the year if you don't use it. The HSA can build value from one year to the next and enjoy investment earnings.

Will Gulfstream contribute to my account?

Yes. Gulfstream contributes to your account based on what level of coverage you select (i.e. single vs. family coverage). For single coverage, Gulfstream will contribute $600 and, for family coverage, Gulfstream will contribute $1,200.

How does Gulfstream contribute to my account?

Gulfstream contributions to your HSA will be made automatically in early January and deposited into your account for you.

What medical expenses can be paid with money in my HSA?

Funds in your HSA can be used to pay for a wide variety of health care expenses not otherwise paid by your medical coverage. They can even be used to pay for qualified medical expenses not covered by your medical plan, such as dental, vision, and alternative medical expenses.

The Internal Revenue Service (IRS) has a list of items that can/cannot be paid for using funds in a HSA. These are commonly known as "qualified medical expenses" and are those expenses that would generally qualify for the medical and dental expenses deducted on your tax forms. These are explained in IRS Publication 502, Medical and Dental Expenses.

Here's a link you can use to view or download a copy of IRS Publication 502.

http://www.irs.gov/publications/p502/index.html

See "*What medical expenses are includable?*" in the IRS publication.

What are the withdrawal rules on my HSA?

You may use money in your HSA to pay for eligible health care expenses, to meet your deductible or pay for coinsurance. There are several ways you can withdraw money from your HSA for eligible health expenses, including using your HSA Visa® debit card.

If you withdraw money for non-health related expenses, you will pay taxes on this money and incur a 20% tax penalty.

Is there a maximum I can contribute to my HSA for 2013?

Yes. This maximum is determined each year by the IRS. For 2013, the maximum is $3,250 for single coverage and $6,450 for family coverage. For those who turn age 55 or older in 2013 and are not eligible for Medicare, the IRS will permit an additional $1,000 in "catch-up" contributions.

Can the money put in the HSA be used toward my deductible and coinsurance?

Yes. Any covered out-of-pocket expenses you incur are eligible to be paid using the funds in your HSA.

Can I set up an HSA and also contribute to my Health Care FSA and my Dependent Care FSA as I'm doing now?

If you have an HSA, neither you nor your spouse can use a health care flexible spending account in 2013 to pay for medical expenses, even if your spouse is not covered under the Personal Health Account Plan. You'll be able to use a Limited Health Care FSA to pay for vision and dental expenses only. This does not apply to the Dependent Care FSA.

Is it true that my spouse cannot contribute to a health care flexible spending account if I have a health savings account?

Per IRS regulations, if you have an HSA, your spouse can enroll in an FSA only if his/her employer offers some form of "limited FSA" for dental and vision expenses only. If your spouse's employer offers only a traditional, full FSA, your spouse may not enroll in that FSA.

What's the difference between an HSA and a health care flexible spending account?

There are some significant differences between these two accounts. Here are some of the key differences.

- With a HSA, the money is with a trustee and, if you leave Gulfstream, you can "roll it over" to another HSA or continue to maintain the account as is. With a flexible spending account (FSA), there are no such provisions. You either "use it" or "lose it".

- With an HSA, you can carry over unused money from one year to the next. You cannot do this with an FSA. Money not claimed for expenses in a year must be forfeited with an FSA.
- You can invest money in an HSA and realize earnings. You cannot realize earnings on money in an FSA.

What investment options will be available with my HSA?

Money in your HSA can be invested in stocks/bonds, mutual funds, CDs and annuities. HealthEquity will make investment options available to you when your HSA account balance reaches $1,000 or more. Before that time, you will earn tax-deferred interest on money in your HSA.

Once you have reached the $1,000 threshold and made investment choices, those choices will remain in effect until you change them, even if your account balance ever slips below $1,000.

Here is a list of investment choices available through HealthEquity once your HSA balance reaches $1,000 or more:

Name of Fund	Symbol	Category of Fund
Baron Small Cap	BSCFX	Small Blend
Dodge & Cox Income Fund	DODIX	Intermediate Term Bond
Dodge & Cox International Stock	DODFX	Foreign Large Value
Dreyfus Appreciation	DGAGX	Large Blend
Dreyfus Opportunistic Small Cap FD	DISSX	Small Growth
Fidelity Blue Chip Value	FBCVX	Large Blend
Fidelity Capital Appreciation	FDCAX	Large Growth
Harding Loevner Emerging Markets	HLEMX	Diversified Emerging Markets
Laudus International MarketMasters	SWOIX	Foreign Large Growth
Royce Total Return Inv.	RYT1Z	Small Value
T. Rowe Price Equity Income Fund	PRFDX	Large Value
Vanguard Large Cap Index	VLACX	Large Blend

Is my HSA FDIC insured?

Yes, it is. However, if you choose to invest the money in the HSA in one or more of the 12 investment fund choices, those investments will not be FDIC insured.

I heard that I can transfer money from my IRA to my HSA. Is that true?

The IRS permits Americans who are enrolled in a plan like the Personal Health Account Plan to make a one-time transfer from an IRA to an HSA. However, you still cannot exceed the “contribution limits” imposed by the IRS for the year in which the transfer is made.

How about money from my 401(k)? Can I transfer that money to my HSA?

No, at this time there is no IRS provision to allow transfer of 401(k) funds to HSAs.

Can I ever roll money in my HSA over to an IRA or 401(k) plan?

No, IRS regulations do not permit this.

Can I roll money from a previous HSA into my HSA with HealthEquity?

Yes, you can, and this is considered a “rollover” and not a “contribution”, so it does not affect how much you can contribute to your HSA in a given year. However, if part of that rollover includes contributions made to your account in the year in which the rollover is made, those contributions that year WILL count toward the total amount you can contribute to an HSA in that year.

Contact HealthEquity for help in doing a rollover. You can have the money sent to you (and you then send it to HealthEquity) or you can have what is known as a “custodian to custodian” transfer where the money will go directly from the previous HSA administrator to HealthEquity.

Is there any limit as to how much money I can accumulate in my HSA at any time?

No, as long as you don’t exceed the annual maximum contributions allowed per IRS rules, unused account balances can accumulate without any limit.

Can I use the money in my account to meet the health care expenses of other people?

Yes. You can take a tax-free distribution from your HSA to meet qualified medical expenses for yourself, for your spouse (even if he/she is not covered under the plan), or for any tax dependent. It is important to note that, due to new federal regulations, you may be able to cover certain dependents on the medical plan that do not meet the IRS definition of dependent and whose expenses are therefore not eligible for reimbursement through the HSA.

Can I use money in my HSA even if I’m no longer in a plan like the Personal Health Account Plan?

Once money is in your HSA, you can withdraw it even if you are no longer in a plan like the Personal Health Account Plan. The money is always yours. But once you are no longer in a “high deductible” plan like the Personal Health Account Plan, you cannot contribute to an HSA.

Can I use the money in my account for non-medical expenses?

Yes, you can. However, if the money is taken out for expenses other than qualified medical expenses as defined by the IRS, the amount distributed to you will normally be subject to income tax and you will be assessed a 20% tax penalty. No 20% tax penalty will be assessed, however, if you are age 65 or older or disabled.

What happens to my account if I die or become disabled?

If you die, ownership of any money in your account will be given to your spouse if he/she has been designated as your beneficiary. If your estate is the beneficiary, money in your account will be considered taxable income to you for your final tax return. Otherwise, it will be taxable to the non-spouse beneficiary you earlier designated.

If you become disabled, you can take the money out for any reason and will not be subject to income taxes or tax penalties.

Can I use money in my HSA to pay or reimburse myself for medical expenses I incurred in the past?

Expenses for which HSA funds can be used must have been incurred on or after the date your health savings account was set up.

How do I pay medical bills with my HSA?

You can do so with a special bill payment system or through an HSA Visa® debit card you will be issued.

For example, you can organize and pay medical bills with the HealthEquity® PayChoice Bill Pay system. Manage your medical records with a click of the mouse at www.MyHealthEquity.com. Through PayChoice you can:

- Make payments from your health savings account (HSA)
- Reimburse yourself from your HSA
- Create and manage future payment schedules
- Contribute to your HSA
- Record and store your medical claim records
- Create and print monthly and yearly statements

In addition to the PayChoice system, HealthEquity also provides an HSA Visa® debit card for easy payment at the point of service. When you use your debit card, the transaction information will be displayed in your PayChoice system. If you use a personal debit card, credit card, or another form of payment not connected to your HSA, you can reimburse yourself for the expense through the PayChoice system and a check will be sent directly to you.

What happens to money left in the account at the end of the year?

Money left in the account at the end of a calendar year will be rolled over to the next year.

What happens to money in my account if I leave Gulfstream?

Remember that this account is owned by you, not Gulfstream. So, if you are an active employee and leave, you can roll money in this account over to a similar plan if you wish, or leave this account as is. You can also cash out this account if you leave, though your distribution may be subject to income tax and a 20% tax penalty if the money is not used for qualified health care expenses. If you leave Gulfstream and keep money in your HSA, Health Equity — our HSA administrator — will charge you a fee to continue to administer your HSA.

What happens to money in my account if I stay with Gulfstream but switch to another health plan in the future?

Money in your account will stay in your account and be available for your use. However, unless you are enrolled in a high deductible health plan (like this one) in the future, you will no longer be able to make additional contributions to your account.

Who will be the trustee for the HSA?

Based on their excellent reputation with HSA administration, HealthEquity has been selected as the trustee for the HSA. Upon your enrollment into the Personal Health Account Plan, you will receive an informational packet from HealthEquity.