

# Health Savings Account

The Health Savings Account (HSA) is a triple tax-advantaged savings account available to employees enrolled in either the UnitedHealthcare (UHC) Basic HSA or Premium HSA medical plans (the “high deductible health plans”). The Basic HSA and Premium HSA plans include two components:

- Medical plan coverage through a high deductible health plan; and
- The opportunity to participate in a separate Health Savings Account (HSA) that can be used to pay for certain qualified medical expenses on a pre-tax basis.

This section of the Stryker Benefits Summary describes some key features of the HSA that you can establish to complement the UHC Basic and Premium HSA medical plans. Please refer to the *Medical Benefits* section of your Stryker Benefits Summary for information about the UHC Basic and Premium HSA medical plans (the high deductible health plans).

## Highlights of the HSA

The HSA, administered by UnitedHealthcare (UHC) through OptumHealthBank, offers a way to save for your out-of-pocket medical expenses, such as expenses incurred before the medical plan deductible is met, or your share of covered medical expenses.

- You contribute to the Health Savings Account with before-tax deductions from each paycheck (lowering your taxable income).
- Funds can be withdrawn tax-free to pay for eligible healthcare expenses and money in the account rolls over from year to year.
- The money in your account grows with tax-free interest.
- Once you reach a balance of \$2,000, you have the option to invest some of your balance and potentially grow your account with tax-free earnings.

Keep in mind that IRS rules prohibit you from participating in both an HSA and a health care flexible spending account (HCFSA). Therefore, you are not eligible to participate in the HCFSA if you are enrolled in the UnitedHealthcare Basic HSA or Premium HSA plans. You can, however, participate in the day care (child and adult) flexible spending account (DCFSA).

The Health Savings Account is not governed by the Employee Retirement Income Security Act of 1974 (ERISA). For example, ERISA requirements such as providing a Summary Plan Description, filing an annual report (Form 5500 Series), or making a summary annual report available do not apply.

## Health Savings Account (HSA) Participation

You gain choice and control over your health care decisions and spending when you establish your HSA to complement the high deductible health plan coverage provided through the UHC Basic HSA or Premium HSA plan described in the *Medical Benefits* section of your Stryker Benefits Summary.

The HSA can help you cover, on a tax-free basis, medical plan expenses that require you to pay out-of-pocket, such as deductibles, copayments or coinsurance. It may even be used to pay for, among other things, certain medical expenses not covered under the medical plan design. Amounts may be distributed from the HSA to pay non-medical expenses; however, these amounts are subject to income tax and may be subject to a 20% penalty if withdrawn before age 65.

### What is an HSA?

An HSA is a tax-advantaged account that you can use to pay for qualified health expenses that you or your eligible dependents incur, while covered under a high deductible medical plan. HSA contributions:

- Accumulate over time with interest or investment earnings (if applicable).
- Are portable after employment.
- Can be used to pay for qualified health expenses tax-free or for any other expense on a taxable basis.

### Eligibility

Eligibility to participate in the UHC Basic HSA or UHC Premium HSA medical plan is described in the *Medical Benefits* section. You must be covered under the UHC Basic or Premium HSA medical plan in order to participate in the HSA. If you enroll in a high deductible health plan (UHC Basic or Premium plan) and you wish to opt out of the HSA component, you must contact your Benefits Team immediately upon enrollment. In addition, in order to be eligible for a Health Savings Account you:

- Must not be covered by any medical plan considered non-qualified by the IRS. (This does not include coverage under an ancillary plan such as vision or dental, or any other permitted insurance as defined by the IRS.)
- Must not, as an employee of Stryker, be enrolled in Medicare or Tricare.
- Must not be claimed as a dependent on another person's tax return.
- Must not have coverage by an HRA or health care FSA that does not limit reimbursements to permitted limited scope (dental and vision), preventive or post-deductible expenses, which disqualifies a person from making or receiving tax-free HSA contributions. This rule applies even if the HRA or health care FSA coverage is provided to the HSA owner's spouse or other family member.

You can obtain additional information on your HSA online at [www.irs.gov](http://www.irs.gov). You may also contact your tax advisor. Please note that additional rules may apply to a spouse's (who is an eligible individual) intent to opening an HSA.

### Enrolling in an HSA

To participate in a Health Savings Account, you must enroll for coverage in the UHC Basic HSA medical plan or UHC Premium HSA medical plan. Please see the *Participating in Healthcare Benefits* section for the enrollment rules for these plans.

You must elect the amount that you would like to contribute to your Health Savings Account each plan year. You may change your election at any time.

In order to open a Health Saving Account, you must be eligible for a U.S. bank account and have a physical mailing address (not a P.O. box). If Optum Bank needs any additional information to verify your eligibility for the account, they will reach out to you directly via U.S. mail.

In the event that Optum Bank is unable to open your Health Savings Account within 60 days of the date that you initially elected to open it, Stryker's contributions made on your behalf and your contributions will be returned to Stryker. If this occurs, you will not be eligible to receive the Stryker employer funding and your employee contributions will be returned to you via your paycheck and taxed appropriately. You may elect to open the account again but only payroll contributions that are elected after the account has been opened will be deposited and you will not be eligible to receive the Stryker employer contribution.

Once your Health Savings Account is opened, any monthly maintenance fee charged by Optum Bank will automatically be paid by Stryker while you are an active participant in one of the Stryker HSA medical plans. Once you are no longer enrolled in a Stryker HSA medical plan, the monthly maintenance fee will become your responsibility and will be deducted from your account. Any questions regarding this fee should be directed to Optum Bank.

### Taking a Family or Medical Leave of Absence

If you qualify for an approved leave of absence under the Family and Medical Leave Act (FMLA), your HSA participation will continue while you are away from work. If you are receiving any pay from Stryker while on FMLA leave, your contributions will continue to be deducted from your paycheck—just as though you were actively at work. If your leave is unpaid, your per-paycheck contributions will resume when you return to work. In addition, any missed deductions may be taken from your paycheck when you return to work if you return in the same calendar year.

## Keeping You Informed

Regularly, you will receive an HSA statement showing contributions, claims processed and your account balance as of the statement date. You can also check your account balance at any time by visiting [www.myuhc.com](http://www.myuhc.com).

### When Contributions Begin

Once your account has been opened, contributions for a taxable year can be made any time within that year and up until the tax filing deadline for the following year, which is typically April 15.

### When HSA Contributions Stop

You can change your HSA employee contributions at any time throughout the year (provided that the last payroll has not been processed for the calendar year). The change to your contributions will be prospective.

If you leave Stryker or if coverage under the UHC Basic or Premium HSA medical plan (the high-deductible health plans) ends, no further contributions may be made through a Stryker paycheck to the HSA and you will not be eligible for any employer contributions on or after the date of your termination. The account with Optum Bank will remain open and any amounts contributed to your HSA belong to you. Health Savings Account balances are non-forfeitable and are always fully vested.

## How HSAs Work

This section describes rules that apply to HSAs, such as how much you can contribute, eligible expenses that can be reimbursed from your HSA and the claims procedures you need to follow to be reimbursed.

### HSA Contributions

In 2021, Stryker will make a contribution to your HSA upon enrollment and activation of your account provided you are an eligible employee. The Stryker contribution amount will vary based on the medical plan you choose and your coverage tier as follows:

2021 HSA Contribution from Stryker		
	UHC Premium HSA Medical Plan (High Deductible Plan)	UHC Basic HSA Medical Plan (High Deductible Plan)
<b>Employee</b>	\$500	\$250
<b>Employee + 1</b>	\$1,000	\$500
<b>Family</b>	\$1,000	\$500

The Stryker contribution will be deposited as soon as administratively possible and is typically made after the first payroll following the effective date of your enrollment in a qualifying medical plan.

The following employees are not eligible for the Stryker employer contributions:

- Direct Temporary Employees
- Interns
- Part-time employees scheduled to work less than 20 hours
- Terminated employees

There are limits on how much you and Stryker, together, can contribute to your account. The limits for 2021 are:

- \$3,600 annually for individual coverage.
- \$7,200 annually if you cover dependents.
- An additional \$1,000 per year as a catch-up contribution, if you are age 55 or older.

All funds placed into your HSA are owned and controlled by you, subject to any reasonable administrative restrictions imposed by the trustee.

*Note:* Amounts that exceed the contribution maximum are not tax-deductible and will be subject to an excise tax unless withdrawn as an “excess contribution” prior to April 15<sup>th</sup> of the following year.

### Contributions for Mid-Year Enrollees

The amount that you can contribute in a calendar year is dependent on whether or not you will remain eligible for an HSA and enrolled in HSA-compatible plan for the 13 months measured from the December for the year in which the election is made through the end of the following December.

- You are eligible to contribute the full IRS maximum (set by federal regulations based on the coverage tier you elect) for the current tax year if you are enrolled by December 1 and remain eligible for HSA contributions for the next 13 months. This means you have to remain covered by an HSA-compatible plan for the next 13 months or you will be subject to tax implications and an additional tax of 10%. If you become ineligible during the 13-month period (e.g., enroll in a non HSA-compatible health plan), the pro-rated portion of the contributions that you made for the months that you were not covered by a qualified HSA-compatible plan will become taxable and you may be subject to an additional penalty tax.

- If you will not be enrolled in an HSA-compatible plan for the 13 months following December 1 of a given year, you will be eligible to contribute to your HSA on a pro-rated basis for the months that you are eligible to contribute within the current tax year. For example, if you are hired on April 15, 2021 and are enrolled in employee-only coverage in the Basic or Premium HSA medical plan, you are eligible to contribute beginning May 1, 2021, which means you are eligible for 8 months if you remain eligible through the remainder of 2021. The maximum you can contribute is calculated by taking the IRS maximum annual contribution for your coverage tier and dividing by 12 (\$3,600 for employee-only coverage ÷ 12 = \$300 per month). Next, multiply the monthly contribution amount by the number of months you are eligible in the tax year (\$300 x 8 = \$2,400). Remember that this pro-rated maximum includes both the Stryker contribution and your personal contribution.
- Eligible individuals enrolling in an HSA-compatible plan between December 2 and December 31 are not eligible to make HSA contributions on a tax-advantaged basis for the current tax year. Employees hired between December 2 and December 31 are not eligible for the company contribution for the plan year in which they are hired.

Eligible expenses include those that occur on or after the date your HSA is established (when it is funded), which occurs after the first of the month following your enrollment in an HSA compatible plan and the first deposit is made into the account. For Stryker, an HSA compatible plan includes the Basic HSA medical plan (high deductible health plan) and the Premium HSA medical plan (high deductible health plan). For example, if you are hired on April 15, 2021 and enroll in one of the high deductible plans, the date of service for the eligible claims must be on or after May 1, 2021—provided that the account has been appropriately opened on May 1, 2021.

If OptumBank is unable to establish the Health Savings Account for you, they will notify you of the additional information that is required to open your account. If the account is not successfully opened after approximately 60 days from the date you originally elected the account, the employer funding will be returned to Stryker and you will no longer be eligible to receive it. In addition, any future payroll deductions will be stopped. If you miss this deadline but still wish to establish an account, you can restart the deductions via [enroll.stryker.com](http://enroll.stryker.com) after you have fully established the account; however Stryker will not deposit any employer funding for the current plan year.

For more information, visit [www.irs.gov](http://www.irs.gov) and see Publication 969 or contact your Benefits Team.

### Eligible Expenses

The funds in your HSA will be available to help you pay your or your eligible dependents' out-of-pocket costs under the high deductible health plan, including annual deductibles, copayments and coinsurance. You may also use your HSA funds to pay for medical care that is not covered under the medical plan design but is considered a deductible medical expense for federal income tax purposes under Section 213(d) of the Internal Revenue Code of 1986, as amended from time to time. Such expenses are “qualified health expenses”.

Please see the description of “Additional Medical Expense Coverage Available with Your Health Savings Account” on page 148, for additional information. HSA funds used for such purposes are not subject to income or excise taxes.

“Qualified health expenses” only include the medical expenses of you and your eligible dependents, meaning your spouse and any other family members whom you are allowed to file as dependents on your federal tax return, as defined in Section 152 of the Internal Revenue Code of 1986, as amended from time to time.

HSA funds may also be used to pay for non-qualified health expenses but will generally be subject to income tax and a 20% additional tax unless an exception applies (i.e., your death, your disability, or your attainment of age 65).

The following are examples of qualified medical that are covered by IRC Sections 213 and 223:

- medical services provided by medical practitioners and that are not covered by another plan
- charges for medically necessary services not covered by another plan, including but not limited to the following:
  - deductibles
  - out-of-pocket expenses

#### For More Information

See the UnitedHealthcare website at [www.myuhc.com](http://www.myuhc.com) for current detailed information regarding eligible HSA expenses or call UnitedHealthcare customer service toll free at **800 387 7508**. You can also visit [www.irs.gov](http://www.irs.gov) and see Publication 502.



- coinsurance
- charges exceeding reasonable and customary amounts
- charges exceeding plan limits
- prescription drug charges
- other non-covered charges for qualified medical care
- all medically necessary prescription drugs and certain other prescription drugs permitted by the IRS (e.g., contraceptives and pre-natal vitamins)
- eye exams, glasses (frames and lenses), contact lenses and solutions for contact lenses, lubricant eye drops, eye patches and reading glasses
- LASIK eye surgery
- dental implants
- dental treatment, routine dental care (cleaning, X-rays, fillings, etc.), and over-the-counter products such as toothache relief, temporary filling, denture adhesive
- orthodontia (braces)
- mouth guards
- hearing exams, hearing aids
- cost differences between semi-private and private hospital rooms
- costs for special medical equipment installed in your home, or for home improvements for purposes of medical care, e.g., ramps, support bars, railings, etc.
- fees for special schools on the recommendation of a physician, including schools for the mentally impaired, physically disabled or individuals with severe learning disabilities
- transportation (amounts paid for travel primarily for, and essential to, medical care)
- personal use items if primarily used to prevent or alleviate a physical or mental defect or illness, e.g., wigs, Braille books, hearing aids
- nursing services in hospital, nursing home or your home
- smoking cessation programs
- weight loss programs (if you have a letter from your treating physician indicating medical necessity)
- alternative medicine
- Christian Science practitioners
- long-term care insurance premiums (Note: the tax-free reimbursement cannot exceed the annually adjusted “eligible long-term care premiums” in the Internal Revenue Code. This amount is based on age.)
- COBRA premiums
- Medicare premiums
- health premiums while you are receiving unemployment insurance
- retiree medical plan premiums other than for Medigap insurance.
- periodic health evaluations, including tests and diagnostic procedures ordered in connection with routine examinations, such as annual physicals
- routine prenatal and well-child care
- flu shots (if not covered by your medical plan)
- vaccinations
- child and adult immunizations
- screenings for conditions such as:
  - cancer
  - heart and vascular diseases
  - infectious diseases
  - mental health conditions
  - substance abuse
  - metabolic, nutritional, and endocrine conditions
  - musculoskeletal disorders
  - obstetric and gynecological conditions
  - pediatric conditions
  - vision and hearing disorders
- preventive over-the-counter expenses, such as:
  - home diagnostic tests or kits for blood pressure, cholesterol screening, diabetes (e.g., glucose monitor), colorectal, HIV
  - smoking-cessation relief, such as patches and gum

- pre-natal vitamins (with doctor's note of medical necessity)
- iron pills (with doctor's note of medical necessity)

### Additional Medical Expense Coverage Available with Your Health Savings Account

A complete description of, and a definitive and current list of what constitutes eligible medical expenses, is available in IRS Publication 502 which is available from any regional IRS office or IRS website.

If you receive any additional medical services that are not covered under your medical plan and you have funds in your HSA, you may use the funds in your HSA to pay for the eligible medical expenses. If you choose not to use your HSA funds to pay for any Section 213(d) expenses that are not covered health services, you will still be required to pay the provider for services.

The monies paid for these additional medical expenses will not count toward your annual deductible or out-of-pocket maximum.

### Using the HSA for Non-Qualified Expenses

You have the option of using funds in your HSA to pay for non-qualified health expenses. A non-qualified health expense is generally one which is not a deductible medical expense under Section 213(d) of the Internal Revenue Code of 1986. Any funds used from your HSA to pay for non-qualified expenses will be subject to income tax and a 20% additional tax unless an exception applies (i.e., your death, your disability, or your attainment of age 65).

In general, you may not use your HSA to pay for other health insurance, including Medicare Supplemental insurance, without incurring a tax except you may use your HSA to pay for COBRA premiums and Medicare Parts A, B or D premiums (but only if the account holder and Medicare enrollee are age 65 or older).

The following are examples of expenses that would not qualify for a tax-free withdrawal from your Health Savings Account:

- contributions to other employer-sponsored dental, vision or medical plans, including plans sponsored by your spouse's employer (contributions to the Company's dental, vision and medical plans are already made on a before-tax basis)

**Exceptions:** COBRA premiums, Medicare premiums, health premiums while you are receiving unemployment insurance, retiree medical plan premiums other than for Medigap insurance and certain long-term care insurance premium amounts are considered qualified expenses.

- costs you deduct as qualified medical expenses on your federal income tax return
- expenses not eligible to be deducted under federal tax law
- expenses reimbursed by any other health plan
- health club membership dues
- cosmetic surgery: electrolysis, hair removal or transplants, liposuction, etc.
- vitamins and other dietary supplements, toiletries and cosmetics that are not medically necessary
- medications purchased merely to maintain you or your family's health
- prescription drugs that are not medically necessary and not permitted by the IRS (such as Rogaine)
- cosmetic dental work (including bleaching, bonding and veneers)
- undocumented travel to or from your physician's office or other medical facility
- weight loss programs (unless you have a letter from your treating physician indicating medical necessity)

### Portability Feature

If you do not use all of the funds in your HSA during the calendar year, you do not lose the balance remaining in your HSA. If your employment terminates for any reason, the funds in your HSA will continue to be owned and controlled by you, whether or not you elect COBRA coverage for the accompanying high deductible health plan, as described in your medical plan SPD. COBRA does not apply to the HSA because the benefit is not an ERISA plan.

However, if you elect COBRA, your remaining HSA funds can be used to assist you in paying your out-of-pocket costs under the medical plan and COBRA premiums while COBRA coverage is in effect.

## Keep Your Receipts

Be sure to keep your receipts and medical records. If these records verify that you paid qualified health expenses using your HSA, you can deduct these expenses from your taxable income when filing your tax return. However, if you cannot demonstrate that you used your HSA to pay qualified health expenses, you may need to report the distribution as taxable income on your tax return. Stryker and UnitedHealthcare will not verify that distributions from your HSA are for qualified health expenses. Consult your tax advisor to determine how your HSA affects your unique tax situation.

The IRS may request receipts during a tax audit. Stryker and the Claims Administrator are not responsible or liable for the misuse by Employees of HSA funds by, or for the use by Employees of HSA funds for non-qualified health expenses.

## HSA Withdrawals

### Optum Bank<sup>SM</sup> Health Savings Account Debit MasterCard<sup>®</sup>

You can use your Optum Bank Health Savings Account Debit MasterCard for direct payment at a doctor's office, pharmacy or any health care facility that accepts MasterCard. In most cases, the card can also be used to pay a bill from a doctor's office or health care facility, provided they accept MasterCard.

You will receive your card in the mail seven to ten days after opening an HSA. Be sure to activate your card so you can start using it for your qualified medical expenses. You can activate your card using the included toll-free number and you may obtain your PIN at that time. With your PIN you can use your Debit MasterCard to withdraw funds at any ATM displaying the MasterCard brand name. So, for example, if you go to the doctor and pay for your services out of your own pocket, you can then withdraw money at the ATM to reimburse yourself.

Optum Bank will charge a per transaction fee for ATM withdrawals. Fees may also be charged by the ATM owner.

If you would like an additional debit card, download a request form at [www.optumbank.com](http://www.optumbank.com) and follow the directions. Remember that your HSA Debit MasterCard acts like any other debit card and could incur charges not made by you. Protect yourself against fraudulent charges by routinely checking your HSA statement.

## Paying Online

When using your Optum Bank Debit MasterCard to pay for qualified medical expenses online, you receive additional protection of your personal information by using the MasterCard SecureCode<sup>™</sup>.

A SecureCode, known only to you, validates your identity as the cardholder for online transactions with participating retailers. Here's how it works:

- Each time you make an online purchase with a participating retailer, a window pops up, asking for your SecureCode.
- Correctly enter your SecureCode. This confirms you are the authorized cardholder and your purchase is completed.

Online retailers cannot see your SecureCode, adding another layer of protection.

## Obtaining a SecureCode

The next time you use your Optum Bank Debit MasterCard for an online purchase, you will be prompted to register for a SecureCode. Choose your password, briefly provide other requested information identifying yourself, and continue to complete your purchase.

When making future online purchases, you will be asked to enter that same SecureCode to complete the transaction.

SecureCodes are required for all your HSA online debit card purchases at participating retailers.

## Online Banking and Bill Payment

Log in to [www.myuhc.com](http://www.myuhc.com) and enjoy the convenience of online banking with Optum Bank. You can view recent account activity, link to your investment account, if you have one, and view and download your monthly statements. You can also pay bills for qualified medical expenses directly to your doctor or other health care providers. With online bill payment, you can set up the names and addresses of your providers to make future payments a snap.

At time of application, you agree to receive electronic monthly statements. You can, if you choose, request to have monthly statements mailed to your home. You can opt out of electronic statements by completing and returning a statement delivery change request form, available at [www.optumbank.com](http://www.optumbank.com).

### Paying With Checks

You may also request HSA checks to use when paying your medical bills. Checks are issued for a fee of \$10 for a book of 25. Refer to the fee schedule for a list of fees that apply to your HSA.

### Reimbursing Yourself

You may choose to pay for some or all of your medical expenses out of pocket, saving receipts to track your qualified expenditures.

Then, at some point in the future, you may reimburse yourself for those expenses. Go to [www.myuhc.com](http://www.myuhc.com), log in to your HSA and select "Reimburse Yourself." You'll be able to choose to set up an electronic funds transfer (EFT) from Optum Bank to your savings or checking account at another bank. Or, you can ask Optum Bank to send you a check by mail. You may also use paper checks, if you have purchased them, or withdraw money with your debit card from an ATM to reimburse yourself.

When you reimburse yourself is completely up to you. It can be weeks, months or even years after you've paid for the qualified medical expenses. You must, however, have retained the receipts for the qualified medical expenses in the event the IRS inquires, and the expenses must have been incurred after the date when you established your HSA.

### Disbursement Limits

OptumBank<sup>SM</sup> limits your ATM withdrawals to \$300 within a 24-hour period. There is also a \$10,000 limit on disbursements at a point of service, such as a health care facility, in a 24-hour period.

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### Investment Options

Investment options are available to those with account balances in excess of \$2,000.

You can learn about available investment options by calling Optum Bank customer service at **800 387 7508** or by visiting the UnitedHealthcare website at [www.myuhc.com](http://www.myuhc.com)

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### Additional Information about the HSA

It is important for you to know the amount in your HSA prior to withdrawing funds. You should not withdraw funds that will exceed the available balance.

Upon request from a health care professional, UnitedHealthcare and/or the financial institution holding your HSA funds may provide the health care professional with information regarding the balance in your HSA. At no time will UnitedHealthcare provide the actual dollar amount in your HSA, but they may confirm that there are funds sufficient to cover an obligation owed by you to that health care professional. If you do not want this information disclosed, you must notify the Claims Administrator and the financial institution in writing.

You can obtain additional information on your HSA online at [www.irs.gov](http://www.irs.gov). You may also contact your tax advisor. Please note that additional rules may apply to a spouse's (who is an eligible individual) intent to opening an HSA.