HSA-QUALIFIED DEDUCTIBLE PLANS

What is an HSA-qualified deductible plan? • How does it work? • Key terms • Features

KAISER PERMANENTE®

HSA-QUALIFIED DEDUCTIBLE PLANS

Are you interested in balancing your health and your finances? If so, consider our special selection of deductible plans designed to work with **health savings accounts, or HSAs**. Our HSA-qualified health care plans can help you improve your health with quality care. Plus, you may also improve your finances through more affordable health care premiums and a tax-advantaged HSA.[1]

Here's how it works:

- Enroll in an HSA-qualified health care plan.
- If you are eligible, open a health savings account.[2]
- Contribute tax-free dollars to this account.
- Use those tax-free funds to pay for qualified health care expenses.

What you don't use will roll over to the next year and continue earning interest.[3]

Read the scenarios on pages 3 and 4 to see why a family or an individual might choose a particular HSA-qualified plan and how they might use their plan.

You are not required to open a health savings account. However, pairing one of our HSA-qualified plans with an HSA has advantages.

An HSA offers triple tax advantages:

- Tax-deductible contributions to your account
- Tax-free investment earnings[3]
- Tax-free withdrawals when funds are used for qualified medical expenses

[1] Tax references relate to federal income tax only. The tax treatment of health savings account contributions and distributions under state income tax laws differs from the federal tax treatment. Consult with your financial or tax adviser for more information. Beginning later in 2009, you will be able to apply for an HSA-qualified plan for an individual under the age of 18. However, with a child-only HSA-qualified plan, you may not be eligible for the tax savings of an HSA. Please call **1-800-595-1470** for more information.

[2] To qualify to open an HSA, you must be enrolled in an HSA-qualified health plan, not be covered by another health plan or enrolled in Medicare, and not be able to be claimed as a dependent on someone else's tax return.

[3] Earnings vary depending on the type of investment plan you opt for and/or the HSA provider you choose. Amount earned is based on the investment plan and market value, and in some instances, the account may actually lose money.

How an HSA-qualified plan works for a family

MEET BEN AND HEATHER OLSON[1]

Ben and Heather know that paying for health care coverage for a family can be costly—and unpredictable. Some years, the family hardly sees the doctor at all; other years, their two very active boys (Jason, 8, and Matt, 10) seem to be in and out of the doctor's office (and urgent care) all the time.

That's why they decide to switch to the $1,250 Deductible/20% Plan with HSA Option with family coverage. With the health savings account, they reason, whatever HSA funds they don't spend on health care in a "healthy" year will roll over to the next year when they might not be so fortunate. They open a health savings account and contribute $5,950, the annual maximum allowed by federal law.[2]

What they want:

- ☑ Moderate premiums
- ☑ Lower deductible
- ☑ A way to save tax-deductible money for qualified health care expenses[3]

The Olsons' plan: $1,250 Deductible/20% Plan with HSA Option

- $2,500 family deductible
- $6,000 family out-of-pocket maximum (OOPM)
- No charge for preventive care (not subject to deductible)
- $20 for primary care office visits (after deductible)

Doing the math:

$5,950	Family's contribution to HSA
- $4,000	Amount of HSA funds spent on qualified health care expenses
$1,950	Amount in their HSA that will roll over to next year (plus any earned interest)[4]

HOW THIS PLAN WORKS FOR THEM

During the year (and after a few more trips to urgent care), the Olson family's combined health care expenses come to $4,000. Because they surpass their family deductible, they only pay full charges for the first $2,500. Then they are able to pay coinsurance and copayments for covered services for the rest of the contract year. And since the Olsons pay their qualified medical expenses from their HSA, the money they spend is tax-deductible dollars—and that saves them money![3]

At the end of the year, the Olsons have $1,950 of their original contribution left in their HSA, plus any earned interest that they can roll over for the next year.[4] Next year, they can contribute up to the annual federal family maximum again and build their savings tax free.

With HSAs, you don't "use it or lose it."

[1] These examples are for illustrative purposes only. Individual situations will vary depending on the specifics of the health care plan, individual contributions, and other factors.

[2] For 2009, the federally established annual maximum contribution for an eligible individual with self-only coverage is $3,000, and the annual maximum contribution for an eligible individual with family coverage is $5,950. This maximum is indexed annually for inflation. For more information, please consult with your financial or tax adviser.

[3] Tax savings refer to federal income tax only.

[4] Earnings vary depending on the type of investment plan you opt for and/or the HSA provider you choose. Amount earned is based on the investment plan and market value, and in some instances, the account may actually lose money.

How an HSA-qualified plan works for an individual

MEET ALICIA LEWIS[1]

Alicia, age 58, knows it's a good idea to start planning now for her future medical expenses. So she enrolls in the $2,500 Deductible/20% Plan with HSA Option. She opens a health savings account and contributes the annual federal individual maximum, $3,000.[2]

What Alicia wants:

- ☑ Lower premiums
- ☑ A way to save tax-deductible money for qualified health care expenses[3,4]
- ☑ Preventive care available for no charge from the first day of coverage
- ☑ Coverage mostly for the big things

Alicia's plan: $2,500 Deductible/20% Plan with HSA Option

- $2,500 individual deductible
- $5,000 individual OOPM
- No charge for preventive care (not subject to deductible)
- $20 for primary care office visits (after deductible)

Doing the math:

$3,000	Alicia's contribution to HSA
- $0	Amount of HSA funds spent on qualified health care expenses
$3,000	Amount in her HSA that will roll over to next year (plus any earned interest)[5]

HOW THIS PLAN WORKS FOR HER

During the year, Alicia has qualified health care expenses of $1,000. Because she wants to build her HSA quickly, she decides to pay these expenses out of pocket and roll over the entire $3,000 to the next year, when she again plans to contribute the federal maximum.

Her HSA enables her not only to save tax-deductible dollars to pay for future qualified medical expenses, but the funds can be earning interest.[4] And when Alicia retires at age 65, she can continue to use these funds tax and penalty free for qualified medical expenses. Or, she can use them for anything she wants, taxed at her income level, without penalty.

You can not only use your HSA to pay for deductibles and coinsurance but also to pay for many supplies and services that your health plan does not cover. Here are just a few examples of HSA-qualified expenses:

- Certain over-the-counter medications
- Eyeglasses and LASIK surgery
- Dental and orthodonture care
- Acupuncture
- Chiropractic services
- Hearing aids

[1]These examples are for illustrative purposes only. Individual situations will vary depending on the specifics of the health care plan, individual contributions, and other factors.

[2]For 2009, the federally established annual maximum contribution for an eligible individual with self-only coverage is $3,000, and the annual maximum contribution for an eligible individual with family coverage is $5,950. This maximum is indexed annually for inflation. For more information, please consult with your financial or tax adviser.

[3]For the full list of qualified medical expenses, refer to IRS Publication 502.

[4]Tax savings refer to federal income tax only.

[5]Earnings vary depending on the type of investment plan you opt for and/or the HSA administrator you choose. Amount earned is based on the investment plan and market value, and in some instances, the account may actually lose money.

How an HSA-qualified plan can work for you

What is an HSA (and is it right for me)?

Many people like yourself are looking for innovative ways to plan for and cover increasing medical expenses. Kaiser Permanente has responded to that need with financial and health care options specially designed to help you improve both your finances and your health. With our HSA program, you enjoy all the healthy living advantages we offer, such as programs, classes, and online tools, as well as tax advantages.[1] Our HSA program combines:

- HSA-qualified plans
- Health savings account[2]

HSA-qualified plans generally offer lower premiums than other deductible plans in exchange for a higher annual deductible amount. As with many of our other plans, some preventive tests and procedures are exempt from the deductible and are covered benefits from Day 1 of your coverage.

We offer four HSA-qualified health care plans for individuals and families:

- **$1,250 Deductible/20% Plan with HSA Option**
- **$1,750 Deductible/20% Plan with HSA Option**
- **$2,500 Deductible/20% Plan with HSA Option**
- **$4,000 Deductible/0% Plan with HSA Option**

HSA-qualified plans work a little differently than regular deductible plans. In HSA-qualified plans, there are no individual deductibles in plans with family coverage. This means that family members must meet the family deductible.

Setting up an HSA[2]

In order to take advantage of the tax savings of a health savings account, you will need to set one up through any financial institution that offers these accounts.

One option is the HSA offered by **Wells Fargo** to our members enrolled in an HSA-qualified plan. Kaiser Permanente has selected **Wells Fargo Bank** as our preferred health savings account trustee and HSA administrator.

Other advantages of an HSA

Health savings accounts offer many other advantages besides tax savings.

- **Portability:** The money belongs to you, so if you change plans, you can take your HSA with you.
- **Unused funds roll over:** There is no "use it or lose it" restriction each year. What you don't use stays in your account until you are ready to use it.
- **Control:** You're in charge. You decide how to invest your money. You decide when to put the money in and when to take it out.
- **Retirement savings:** The money in your account can be invested through the institution where you open it. And after age 65, you can use the funds, taxed at your ordinary income rate, for any reason without penalties.
- **Flexibility:** You can use the money in your HSA to pay for qualified medical expenses, even those your deductible plan does not cover.

While the funds in a health savings account can be withdrawn for any reason, your tax advantages are maximized when you use these funds exclusively for qualified medical expenses. You will pay income tax on funds withdrawn for nonqualified purposes (and you'll pay a penalty if you are under age 65).

[1]Tax references relate to federal income tax only. The tax treatment of health savings account contributions and distributions under state income tax laws differs from the federal tax treatment. Consult with your financial or tax adviser for more information.

[2]Kaiser Permanente does not provide or administer financial products, including HSAs, and does not offer financial, tax, or investment advice. Members are responsible for their own investment decisions. If a member uses his or her HSA to pay for something other than a qualified medical expense, the expenditure is subject to tax and, for individuals who are not disabled or over age 65, a 10 percent tax penalty.

Please note that when Wells Fargo Health Benefit Services pays disbursements, it does not monitor whether they are for qualified medical expenses. It is the member's responsibility to determine whether expenses qualify for tax-free reimbursement from his or her HSA. For information about a Wells Fargo HSA, please contact Wells Fargo at 1-866-890-8308.

KEY TERMS

Allowable charges (AC): This is a schedule of charges for services provided to the general public.

Copayment (or copay): This is the specific dollar amount that you pay when you receive a covered service or prescription. Copayment amounts vary depending on the services and plan chosen.

Coinsurance: This is the percentage you pay of the allowable charges for certain services and supplies. Coinsurance amounts vary depending on the services and the plan.

Deductible: This is the amount of allowable charges a member incurs during a contract year for certain services subject to the deductible, before the health plan will provide benefits for those covered services.

Monthly rate/premium: This is the fixed amount you pay every month for health care coverage. The amount depends on the benefit plan as well as the age and gender of the oldest covered family member (the subscriber), where you live, and the number of family members enrolling.

Not subject to deductible: In deductible plans, some medical services are covered immediately and therefore are "not subject to deductible." This means that from your first day of coverage, you can receive these services for the standard copayment or coinsurance, without having to first satisfy the deductible. With our HSA-qualified plans, all covered services are subject to the deductible with the exception of preventive care services. For all of our deductible plans, including HSA-qualified plans, dental services are not subject to the deductible.

Out-of-pocket maximum (OOPM): This is the most that an individual or family will have to pay for certain covered services in a contract year. Once you satisfy your plan's OOPM, Kaiser Permanente will pay 100 percent for covered services for the remainder of the contract year.

Preventive care: Our goal is to help you achieve the best health possible for you. One way we do that is to provide services that monitor you when you're well and can give an advance warning when you're at risk of becoming ill. Preventive care does just that. For young children, preventive care services include well-child visits and immunizations. For pregnant women, preventive care includes prenatal care and the baby and mother's first postpartum visit. Preventive care also includes routine physical exams, well-woman exams, periodic preventive health screenings, and routine immunizations for adults.

FEATURES AT A GLANCE

Please refer to each plan's *Guide to Your 2009 Benefits and Services* for detailed descriptions of copayments and coinsurance.

MARYLAND, VIRGINIA, AND WASHINGTON, DC

All listed services are subject to the medical deductible except as noted.

FEATURES	$1,250 Deductible/20% Plan with HSA Option	$1,750 Deductible/20% Plan with HSA Option	$2,500 Deductible/20% Plan with HSA Option	$4,000 Deductible/0% Plan with HSA Option
Annual out-of-pocket maximum				
Individual	$3,000	$4,000	$5,000	$5,500
Family	$6,000	$8,000	$10,000	$11,000
Deductible				
Individual	$1,250	$1,750	$2,500	$4,000
Family	$2,500	$3,500	$5,000	$8,000
Preventive care[1]	No charge (no deductible)	No charge (no deductible)	No charge (no deductible)	No charge (no deductible)
Office visits[2]				
Primary care	$20 per visit	$20 per visit	$20 per visit	No charge
Specialty care	$30 per visit	$30 per visit	$30 per visit	No charge
Emergency services	$100 per visit	$100 per visit	$100 per visit	No charge
Vision care				
Eye exams				
• Optometry	$20 per visit	$20 per visit	$20 per visit	No charge
• Ophthalmology	$30 per visit	$30 per visit	$30 per visit	No charge
Inpatient hospitalization (includes medical, maternity, mental health, and chemical dependency stays)	$500 per day, up to $1,500 per admission	$500 per day, up to $1,500 per admission	$500 per day, up to $1,500 per admission	No charge
Lab and radiology	No charge	No charge	No charge	No charge
Maternity care[3]	Office visit and hospitalization cost sharing applies			
Outpatient surgery	20% of AC[4]	20% of AC[4]	20% of AC[4]	No charge
Prescription drugs[5] (for 30-day supply)				
Pharmacy deductible	Subject to plan deductible	Subject to plan deductible	Subject to plan deductible	Subject to plan deductible
Generic	$10	$10	$10	$10
Preferred brand	$35	$35	$35	$35
Nonpreferred	$50	$50	$50	$50
Dental services	$30 preventive visits; certain other services covered at discounted rates (no deductible)			

[1] Preventive care services are offered at no charge and are not subject to the deductible. These services include physical exams, well-woman exams, well-child visits, periodic preventive health screenings, and routine immunizations.

[2] Office visits are subject to the deductible. Primary care visits include family practice, obstetrics/gynecology, pediatrics, and general practitioner or internal medicine (other office visits are considered specialty care visits).

[3] Once a pregnancy has been confirmed, coverage includes all prenatal visits and one postnatal visit. In-hospital labor and delivery are covered at the applicable inpatient hospitalization charge. Exclusions include custodial, intermediate, or domiciliary care; cosmetic services; nonprescription drugs; services to reverse voluntary infertility; sexual reassignment services; and nonhuman organs.

[4] Allowable charges (AC) is a schedule of charges for services provided to the general public.

[5] Only covered when filled at a Kaiser Permanente pharmacy or through Kaiser Permanente mail order. Kaiser Permanente mail-order drugs: $2 discount per 30-day supply (Virginia and Washington, DC, only). Noncreditable pharmacy coverage for members currently enrolled in Medicare.

These are only highlights of plan coverage and are not inclusive. For specific benefit information, reference the *Guide to Your 2009 Benefits and Services* (*KFHP-NG-KPIF-DC* for District of Columbia residents, *KFHP-NG-KPIF-VA* for Virginia residents, and *KFHP-NG-KPIF-MD* for Maryland residents), which you will receive upon acceptance. Please call Member Services at **(301) 468-6000** or **1-800-777-7902** for additional assistance.

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