

CHOOSE A PLAN

HSA-QUALIFIED DEDUCTIBLE PLANS

What a deductible plan with an HSA option is and how it works



IN THIS BROCHURE

- Understanding HSAs (health savings accounts)
- Benefit highlights
- Meet the Howards
- The HSA difference

Good health is an investment in life.

Save for future expenses with an HSA-qualified deductible plan

You may be looking for a plan that not only saves you money, but also allows you to save for health expenses today and in the future. Our HSA-qualified deductible plans, designed for people who want to take charge of their health care costs, may be right for you. When you enroll in one of these plans and choose to open a health savings account (HSA), you can use tax-free savings to pay for qualified medical expenses, such as deductibles, copays, and coinsurance.¹

How an HSA-qualified plan works

An HSA-qualified plan works much like a traditional deductible plan. You pay full charges for certain services out of pocket until you reach your deductible, and then you don't have to pay anything for the rest of the year. The main difference is that you can save money with HSA-qualified plans.

All you have to do is:

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

What you don't use rolls over to the next year and continues earning interest.²

An HSA offers triple tax advantages

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

Other advantages of opening an HSA

- **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 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.

¹Tax 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.

²Earnings 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.

What are qualified medical expenses?

You can use an HSA to pay for deductibles, copays, coinsurance, and many supplies and services not covered by your health plan. Generally, these are expenses that would qualify for the medical and dental expense deduction on your income tax.

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

For a complete list, see *Publication 502, Medical and Dental Expenses* at www.irs.gov.

Who's eligible for an HSA?

To be eligible for an HSA, you need to meet the following requirements:

- You can't be enrolled in Medicare.
- You can't be eligible to be claimed as a dependent on someone else's tax return.
- You can't have additional health coverage that is not a qualified deductible plan (with certain exceptions).
- You can't have received benefits from the Department of Veterans Affairs in the past three months.



How to set up an HSA

You may set up your HSA through any financial institution that offers these accounts.¹ Kaiser Permanente has selected Wells Fargo Bank as our preferred health savings account trustee and administrator. For more information, visit the Wells Fargo Web site, wellsfargo.com/hsa.

¹Kaiser 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 debit card 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 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.

Benefit highlights

	Plan 2500/5000 100/0	Plan 2500/5000 80/20	Plan 5000/10000 100/0
Features			
Annual deductible (individual/family)	\$2,500/\$5,000	\$2,500/\$5,000	\$5,000/\$10,000
Annual out-of-pocket maximum (individual/family)	\$2,500/\$5,000	\$5,000/\$10,000	\$5,000/\$10,000
Lifetime benefit maximum	None		
Benefits Services not subject to deductible unless otherwise indicated			
Preventive care			
Immunizations	No charge		
Physical exam (primary/specialty)	\$15 copay		
Well-baby visit (under 24 months)	\$15 copay		
Preventive lab tests and X-rays/MRI, CT, and PET	No charge		
Outpatient services (per visit or procedure)			
Primary care/specialty care office visit	No charge (after deductible)	20% coinsurance (after deductible)	No charge (after deductible)
Most X-rays and lab tests/ MRI, CT, and PET	No charge (after deductible)	20% coinsurance (after deductible)	No charge (after deductible)
Outpatient surgery	No charge (after deductible)	20% coinsurance (after deductible)	No charge (after deductible)

This is only a summary of the most frequently asked-about benefits and their copayments and coinsurance. It is not a contract. For more detailed information, including exclusions, limitations, and restrictions, please refer to your *Evidence of Coverage*, which you will receive upon acceptance. For specific questions about coverage, call us at **1-800-494-5314**.

	Plan 2500/5000 100/0	Plan 2500/5000 80/20	Plan 5000/10000 100/0
Inpatient hospital care			
No limits on covered days			
Physician services, room and board, anesthesia, operating and recovery rooms, laboratory and diagnostic tests, X-rays, drugs, dressings, casts, respiratory and radiation therapy	No charge (after deductible)	20% coinsurance (after deductible)	No charge (after deductible)
Maternity			
Physician and hospital services, delivery, and normal nursery care (Separate charges will apply to mother and newborn.)	No charge (after deductible)	20% coinsurance (after deductible)	No charge (after deductible)
Prenatal visit	No charge (after deductible)		
Emergency and urgent care			
Emergency Department visit (waived if admitted)	No charge (after deductible)	20% coinsurance (after deductible)	No charge (after deductible)
Urgent care visit	No charge (after deductible)	20% coinsurance (after deductible)	No charge (after deductible)
Ambulance service	No charge (after deductible)	20% coinsurance (after deductible)	No charge (after deductible)
Prescription drugs			
Covered formulary drugs	No charge (after deductible)	20% coinsurance (after deductible)	No charge (after deductible)
Other			
Preventive dental care provided by Delta Dental of Ohio	Covered. See the <i>Dental and Vision</i> brochure for more information.		

Benefits are effective January 1, 2010, through December 31, 2010. As of January 1, 2011, these benefits may change.

Meet the Howards

Vera and Joe Howard are in their early 50s.¹ When Vera is laid off, Joe takes a buyout so they can enjoy early retirement. So now, after years of group coverage, they're looking for an individual health care plan.

The Howards want to minimize their health care costs, so they enroll in an HSA-qualified deductible plan, Plan 2500/5000 100/0.

Their HSA: Joe opens an HSA with Wells Fargo and deposits the federal family maximum of \$6,150, which he can deduct from his federal income tax.^{2,3} Any interest that the HSA earns is tax free. Plus, the couple can withdraw funds tax free to pay for qualified medical expenses.

- **Meeting the deductible:** The couple must pay full charges until they meet the \$5,000 family deductible. They simply present their HSA Visa debit card when they receive services, and the payments are automatically deducted from the tax-deductible \$6,150 that Joe had deposited into their HSA.
- **Preventive care:** Joe and Vera each get annual checkups. Their physicals are \$15 each and are not subject to the deductible, because they are preventive care. Vera also gets a mammogram, which is no charge and not subject to the deductible.
- **Treatment:** Vera's mammogram detects an irregularity that requires treatment. Over the year, her medical bills total \$50,000. They pay the first \$5,000 (their deductible) from their HSA.



- **Meeting the OOPM:** Because the Howards have an HSA-qualified plan, their \$5,000 deductible applies toward their out-of-pocket maximum (OOPM), which is also \$5,000. Once they meet their deductible, they simultaneously meet their OOPM, so neither of them has to pay anything for covered medical expenses for the rest of the year.
- **Tax savings:** They only pay \$5,000 of the \$50,000 in medical bills out of pocket—and those payments are in tax-deductible dollars. At the end of the year, the remaining \$1,150 in their HSA rolls over to the next year.

Vera feels fortunate that her Kaiser Permanente doctor urged her to get a mammogram. It ensured her good health for years to come.

¹This example is for illustrative purposes only. Individual situations will vary depending on the specifics of the health care plan.

²For 2010, the federally established maximum contribution for an eligible individual with self-only coverage is \$3,050, and the annual maximum contribution for an eligible individual with family coverage is \$6,150. This annual maximum is indexed annually for inflation. For more information, please consult your financial or tax adviser.

³Tax savings refer to federal income tax only.

The HSA difference

Key distinctions in how deductible plans and deductible plans with HSA work

	DEDUCTIBLE PLANS	HSA-QUALIFIED PLANS
Out-of-pocket maximums (OOPMs)	With deductible plans, your out-of-pocket payments to fulfill your deductible do not count toward your OOPM.	With HSA-qualified plans, the amount paid toward your deductible does count toward your OOPM.
HSA	You cannot open an HSA with a traditional deductible plan.	If you're eligible, you can open an HSA with an HSA-qualified deductible plan.
Tax savings	You pay for medical expenses with taxed income.	Money you deposit into your HSA is deductible from your federal income tax.

For more detailed information about how plan types work, please consult the *Evidence of Coverage*, which you will receive upon acceptance.



CHOOSE
GOOD
HEALTH

Visit buykp.org/apply

Or call **1-800-494-5314**