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## HSA-QUALIFIED DEDUCTIBLE PLANS

What is an HSA-qualified deductible plan? • How does it work? • Features at a glance

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# 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.<sup>1</sup> Our 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.<sup>2</sup>

## Here's how these plans work with an HSA:

- Enroll in a qualified health care plan.
- If you're eligible, open a health savings account.<sup>3</sup>
- 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.<sup>4</sup>

An HSA offers triple tax advantages:

- Tax-deductible contributions to your account
- Tax-free investment earnings<sup>4</sup>
- Tax-free withdrawals when funds are used for qualified medical expenses

## KEY TERMS

**Copayment:** specific dollar amount you pay when you receive certain covered services or prescriptions. Copayments vary depending on the plan and the service.

**Coinsurance:** percentage of charges you pay when you receive a covered service. Coinsurance amounts vary depending on the plan and the service.

**Deductible:** fixed amount you must pay in a calendar year before Kaiser Permanente will cover certain services in that calendar year. With HSA-qualified plans with family coverage, there is no individual deductible. A family must meet the family deductible before anyone is eligible for copayments or coinsurance.

**Out-of-pocket maximum (OOPM):** the most you have to pay for covered medical services in a calendar year. There is no individual OOPM for HSA-qualified plans with family coverage. A family must meet the family OOPM before their plan pays for all covered services.



<sup>1</sup>These plans are underwritten by Kaiser Foundation Health Plan, Inc. (KFHP).

<sup>2</sup>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.

<sup>3</sup>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.

<sup>4</sup>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.

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## Our HSA-qualified deductible plans

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

We offer three HSA-qualified deductible plans:

- **Deductible 0/1500 with HSA**
- **Deductible 0/2700 with HSA**
- **Deductible 30/2700 with HSA**

HSA-qualified plans work a little differently than other deductible plans. In HSA-qualified plans, there are no individual deductibles or OOPMs for family coverage. This means that family members must meet the family deductible and OOPM.

## Health savings account<sup>1</sup>

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 administrator.

## Advantages of opening an HSA

Health savings accounts offer many other advantages besides tax benefits.

- **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).

You can use your HSA not only 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
- Dental and orthodonture care
- Chiropractic services
- Eyeglasses and LASIK surgery
- Acupuncture
- Hearing aids

<sup>1</sup>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 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.

## How an HSA works for a family

### MEET BEN AND HEATHER OLSON<sup>1</sup>

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 **Deductible 0/1500 with HSA** plan with family coverage. With the health savings account, they reason, whatever HSA funds they don't spend on health care in a "healthy" year would 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.<sup>2</sup>

#### What they want:

- Moderate premiums
- Lower deductible
- Prescription coverage
- A way to save tax-deductible money for health care expenses<sup>3</sup>

#### The Olsons' plan: Deductible 0/1500 with HSA

- \$3,000 family deductible
- No charge for primary care office visits (after deductible)
- No charge for immunizations (not subject to deductible)
- No charge for urgent care visits (after deductible)
- No charge for preventive care office visits (not subject to deductible)

#### Doing the math:

|                 |  |
|-----------------|--|
| \$5,950         | Family's contribution to HSA   |
| <u>-\$3,000</u> | Amount of HSA funds spent on qualified health care expenses                                  |
| \$2,950         | Amount in their HSA that will roll over to next year (plus any earned interest) <sup>4</sup> |



### 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 \$3,000 for covered services. Then they don't have to pay anything for covered services for the rest of the year because they have a \$0 copayment after meeting the deductible. 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!<sup>3</sup>

At the end of the year, the Olsons have \$2,950 of their original contribution left in their HSA, plus any earned interest.<sup>4</sup> 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."

#### Want to know more?

*Our HSA program: See pages 2 and 3.*

*HSA-qualified plan benefits: See pages 6 and 7.*

*HSA-qualified plan rates: See the Rates & Benefits brochure.*

<sup>1</sup>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.

<sup>2</sup>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 annual maximum is indexed annually for inflation. For more information, please consult with your financial or tax adviser.

<sup>3</sup>Tax savings refer to federal income tax only.

<sup>4</sup>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 works for an individual

## MEET ALICIA LEWIS<sup>1</sup>

Alicia, age 58, knows it's a good idea to start planning now for her future medical expenses. So she enrolls in the **Deductible 30/2700 with HSA** plan. She opens a health savings account and contributes the annual federal individual maximum, \$3,000.<sup>2</sup>

### What Alicia wants:

- Lower premiums
- A way to save tax-deductible money for health care expenses<sup>3</sup>
- Coverage mostly for the big things

### Alicia's plan: Deductible 30/2700 with HSA

- \$2,700 individual deductible
- \$30 for primary care office visits (after deductible)
- \$30 for preventive care office visits (not subject to 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) <sup>4</sup> |



## 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 not only enables her to save tax-deductible dollars to pay for future medical expenses, but the funds can be earning interest.<sup>4</sup> 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.

### Want to know more?

*Our HSA program: See pages 2 and 3.*

*HSA-qualified plan benefits: See pages 6 and 7.*

*HSA-qualified plan rates: See the Rates & Benefits brochure.*

<sup>1</sup>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.

<sup>2</sup>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 annual maximum is indexed annually for inflation. For more information, please consult with your financial or tax adviser.

<sup>3</sup>Tax savings refer to federal income tax only.

<sup>4</sup>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.

# FEATURES AT A GLANCE

This is a summary of the most frequently asked-about benefits and their copayments and coinsurance. For more information on benefits, copayments, and coinsurance, please refer to the *Disclosure Form* enclosed in this kit. Detailed information about your plan is included in the *Membership Agreement*, which will be mailed to you upon acceptance.

|   | DEDUCTIBLE<br>0/1500 WITH HSA <sup>1</sup> | DEDUCTIBLE<br>0/2700 WITH HSA <sup>1</sup> | DEDUCTIBLE<br>30/2700 WITH HSA <sup>1,2</sup> |
|---|--|--|---|
| <b>MEDICAL CALENDAR-YEAR DEDUCTIBLE</b>   |  |  |   |
| Individual plan (subscriber only)   | \$1,500                                    | \$2,700                                    |   |
| Family plan (any one member/all members)  | \$3,000/\$3,000                            | \$5,450/\$5,450                            |   |
| <b>ANNUAL OUT-OF-POCKET MAXIMUM</b>   |  |  |   |
| Individual plan (subscriber only)   | \$1,500                                    | \$2,700                                    | \$5,250                                       |
| Family plan (any one member/all members)  | \$3,000/\$3,000                            | \$5,450/\$5,450                            | \$10,500/\$10,500                             |
| <b>LIFETIME BENEFIT MAXIMUM</b>   |  |  |   |
| Individual/Family   | None                                       |  |   |
| <b>BENEFITS</b>   |  | <b>YOU PAY</b>                             |   |
| <b>Professional services (plan provider office visits)</b>  |  |  |   |
| Primary and specialty care visits<br>(includes routine and urgent care appointments)  | No charge (after deductible)               |  | \$30 per visit (after deductible)             |
| Routine preventive physical exams   | No charge                                  |  | \$30 per visit                                |
| Well-child visits from 0 to 23 months   | No charge                                  |  | \$10 per visit                                |
| Family planning visits  | No charge (after deductible)               |  | \$30 per visit (after deductible)             |
| Scheduled prenatal care   | No charge                                  |  | \$10 per visit                                |
| <b>Maternity coverage</b>   |  |  |   |
| Maternity care  | Covered                                    |  |   |
| Coverage varies by plan and some services may be subject to a deductible. See the plan's <i>Membership Agreement</i> for details. |  |  |   |
| <b>Hospitalization services</b>   |  |  |   |
| Room and board, surgery, anesthesia, X-rays, lab tests,<br>and medications  | No charge (after deductible)               |  | 30% coinsurance<br>(after deductible)         |
| <b>Emergency health coverage</b>  |  |  |   |
| Emergency Department visits<br>(charge waived if admitted directly to hospital)   | No charge (after deductible)               |  | 30% coinsurance<br>(after deductible)         |
| <b>Ambulance services</b>   |  |  |   |
| Emergency ambulance services  | No charge (after deductible)               |  | \$100 per trip (after deductible)             |

**Note: Unless otherwise specified, services are not subject to the deductible.**

<sup>1</sup>These plans are offered by Kaiser Foundation Health Plan, Inc.

<sup>2</sup>This plan does not offer prescription coverage.

|  | DEDUCTIBLE<br>0/1500 WITH HSA   | DEDUCTIBLE<br>0/2700 WITH HSA | DEDUCTIBLE<br>30/2700 WITH HSA         |
|--|---|-------------------------------|--|
| BENEFITS   | YOU PAY   |                               |  |
| <b>Prescriptions</b>   |   |                               |  |
| Plan pharmacy (up to a 100-day supply)   | No charge (after deductible)  |                               | Not covered                            |
| Mail-order (up to a 100-day supply)  | No charge (after deductible)  |                               | Not covered                            |
| <b>Outpatient services</b>   |   |                               |  |
| Outpatient surgery   | No charge (after deductible)  |                               | 30% coinsurance (after deductible)     |
| Allergy injection visits   | No charge (after deductible)  |                               | \$5 per visit (after deductible)       |
| Vaccines (immunizations)   | No charge   |                               |  |
| Most X-rays and lab tests  | No charge (after deductible)  |                               | \$10 per encounter (after deductible)  |
| MRI, CT, and PET   | No charge (after deductible)  |                               | \$50 per procedure (after deductible)  |
| Note: Deductible does not apply to preventive screenings as described in the "Benefits and Cost Sharing" section of the <i>Membership Agreement</i> .  |   |                               |  |
| <b>Mental health services</b>  |   |                               |  |
| Inpatient psychiatric care (up to 30 days)   | No charge (after deductible)  |                               | 30% coinsurance (after deductible)     |
| Outpatient individual psychiatric visits   | No charge (after deductible)  |                               | \$30 per visit (after deductible)      |
| Outpatient group psychiatric visits  | No charge (after deductible)  |                               | \$15 per visit (after deductible)      |
| Outpatient individual/group visits per calendar year   | Up to a total of 20 visits  |                               |  |
| Note: Visit and day limits do not apply to severe mental illness and serious emotional disturbances of children as described in the "Benefits and Cost Sharing" section of the <i>Membership Agreement</i> . |   |                               |  |
| <b>Chemical dependency services</b>  |   |                               |  |
| Inpatient detoxification   | No charge (after deductible)  |                               | 30% coinsurance (after deductible)     |
| Outpatient individual therapy visits   | No charge (after deductible)  |                               | \$30 per visit (after deductible)      |
| Outpatient group therapy visits  | No charge (after deductible)  |                               | \$5 per visit (after deductible)       |
| Transitional residency recovery services (up to 60 days, not to exceed 120 days in any five-year period)   | No charge (after deductible)  |                               | \$100 per admission (after deductible) |
| <b>Home health services</b>  |   |                               |  |
| Home health care (up to 100 two-hour visits)   | No charge (after deductible)  |                               |  |
| <b>Health education</b>  |   |                               |  |
| Individual visits  | No charge (after deductible)  |                               | \$30 per visit (after deductible)      |
| Group visits   | No charge (after deductible)<br>(deductible does not apply to tobacco-cessation programs) |                               |  |
| <b>Other</b>   |   |                               |  |
| Skilled nursing facility care (up to 100 days per benefit period)  | No charge (after deductible)  |                               | 30% coinsurance (after deductible)     |
| Hospice care   | No charge (after deductible)  |                               |  |

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