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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 sign up for 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're eligible to pay coinsurance or copayments for covered services. The main difference is that you can save money with HSA-qualified plans. This is because you can pay for qualified medical expenses—even those not covered by your health plan—with tax-deductible dollars. However, qualified expenses not covered by your health plan will not contribute to your deductible or out-of-pocket maximum.

All you have to do is:

- Sign up for 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.

¹Neither Kaiser Permanente nor Kaiser Permanente Insurance Company provides or administers 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

	0/1500 WITH HSA	0/2700 WITH HSA	30/2700 WITH HSA
FEATURES			
Individual plan annual deductible (subscriber only)	\$1,500	\$2,700	
Family plan annual deductible (individual/family)	\$3,000/\$3,000	\$5,450/\$5,450	
Individual plan annual out-of-pocket-maximum (subscriber only)	\$3,000	\$5,000	\$5,250
Family plan annual out-of-pocket-maximum (individual/family)	\$6,000/\$6,000	\$10,000/\$10,000	\$10,500/\$10,500
Lifetime benefit maximum	None		
BENEFITS			
SERVICES NOT SUBJECT TO DEDUCTIBLE UNLESS OTHERWISE INDICATED			
Preventive care			
Immunizations	No charge		
Routine physical exam	No charge	\$30 copay	
Well-child visit (0–23 months)	No charge	\$10 copay	
Well-woman visit	No charge	\$30 copay	
Mammogram	\$10 copay		
Outpatient services (per visit or procedure)			
Primary care/Specialty office visit	No charge (after deductible)		\$30 copay (after deductible)
Most X-rays and lab tests	\$10 copay (after deductible)		
MRI, CT, and PET	\$50 copay (after deductible)		
Outpatient surgery	\$150 copay (after deductible)	\$200 copay (after deductible)	30% coinsurance (after deductible)
Inpatient hospital care			
Room and board, surgery, anesthesia, X-rays, lab tests, and medication	\$300 copay per day (after deductible)	\$400 copay per day (after deductible)	30% coinsurance (after deductible)
Maternity			
Coverage varies. For details, please consult the plan's <i>Membership Agreement</i> .			
Maternity care	Covered		
Emergency and urgent care			
Emergency Department visit (waived if admitted)	\$100 copay (after deductible)		30% coinsurance (after deductible)
Urgent care visit	No charge (after deductible)		\$30 copay (after deductible)
Ambulance service	\$100 copay (after deductible)		
Prescription drugs			
Plan pharmacy (up to a 30-day supply)	Generic: \$10 copay/Brand: \$35 copay (after deductible)		Not covered
Mail-order (up to a 100-day supply)	Generic: \$20 copay/Brand: \$70 copay (after deductible)		Not covered

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* or *Certificate of Insurance*, which will be mailed to you upon acceptance or upon request.

NEW!

NEW!

40/4000 NM WITH HSA¹0/5000 WM WITH HSA¹

FEATURES

Individual plan annual deductible (subscriber only)	\$4,000	\$5,000
Family plan annual deductible (individual/family)	No dependent coverage	
Individual plan annual out-of-pocket maximum (subscriber only)	\$5,600	\$5,000
Family plan annual out-of-pocket maximum (individual/family)	No dependent coverage	
Lifetime benefit maximum	\$5 million	

BENEFITS

SERVICES NOT SUBJECT TO DEDUCTIBLE UNLESS OTHERWISE INDICATED

Preventive care

Immunizations	No charge	
Routine physical exam	\$40 copay	No charge
Well-child visit (0–23 months)	\$30 copay	No charge
Well-woman visit	\$40 copay	No charge
Mammogram	\$10 copay	No charge

Outpatient services (per visit or procedure)

Primary care/Specialty office visit	\$40 copay (after deductible)	No charge (after deductible)
Most X-rays and lab tests	\$10 copay (after deductible)	No charge (after deductible)
MRI, CT, and PET	\$50 copay (after deductible)	No charge (after deductible)
Outpatient surgery	30% coinsurance (after deductible)	No charge (after deductible)

Inpatient hospital care

Room and board, surgery, anesthesia, X-rays, lab tests, and medication	30% coinsurance (after deductible)	No charge (after deductible)
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Maternity

Coverage varies. For details, please consult the plan's *Certificate of Insurance*.

Maternity care	Not covered	Covered (after deductible)
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Emergency and urgent care

Emergency Department visit (waived if admitted)	\$150 copay (after deductible)	No charge (after deductible)
Urgent care visit	\$40 copay (after deductible)	No charge (after deductible)
Ambulance service	\$150 copay (after deductible)	No charge (after deductible)

Prescription drugs

Plan pharmacy (up to a 30-day supply)	Generic: \$10 copay/Brand: \$35 copay (after deductible)	No charge (after deductible)
Mail-order (up to a 100-day supply)	Generic: \$20 copay/Brand: \$70 copay (after deductible)	No charge (after deductible)

Note: For services subject to a deductible, you will have to pay health care expenses out of pocket until you meet your deductible. For information describing the benefits and limitations, cost-sharing amounts, premiums, and dental plans, please review the details in your enrollment material. To request a copy of the *Membership Agreement* or *Certificate of Insurance* for a particular plan, please call us at 1-800-232-5100 or contact your broker.

¹These plans are offered by Kaiser Permanente Insurance Company (KPIC), a subsidiary of Kaiser Foundation Health Plan, Inc.

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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, the 0/1500 with HSA.

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 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 \$3,000 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 no charge and are not subject to the deductible, because they are preventive care. Vera also gets a mammogram, which is a \$10 copay 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 \$3,000 (their deductible) from their HSA.



- **Meeting the OOPM:** With the Howards' HSA-qualified plan, the deductible applies toward the out-of-pocket maximum (OOPM), which is \$6,000. Once they meet their deductible and pay an additional \$3,000 in copayments and coinsurance, they meet the family OOPM. Now neither of them has to pay anything for covered medical expenses for the rest of the year.
- **Tax savings:** They only pay \$6,000 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 \$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. Tax savings refer to federal income tax only. For more information, please consult your financial or tax adviser.

The HSA difference

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

	DEDUCTIBLE PLANS	HSA-QUALIFIED PLANS
Deductibles	Traditional deductible plans with family coverage have both an individual deductible and a family deductible. That means that an individual in a family plan can meet the lower individual deductible and be eligible for coinsurance before the higher family deductible is satisfied.	For a family of two or more, the family deductible applies to your entire family. You can satisfy the deductible with expenses incurred by one family member or a combination of family members. Once the deductible has been collectively satisfied for the calendar year, your family will pay only copays or coinsurance for covered services for the rest of the year. Both deductible and HSA-qualified plans have individual deductibles for people with individual coverage .
Out-of-pocket maximums (OOPMs)	Traditional deductible plans with family coverage have both an individual OOPM and a family OOPM. That means that an individual in a family plan can meet the lower individual OOPM before the higher family OOPM is met. After the family member meets the individual OOPM, he or she doesn't have to pay anything for covered services for the remainder of the year.	For a family of two or more, the family out-of-pocket maximum applies to your entire family. Each family member's expenses (including deductibles, copays, and coinsurance) count toward the family out-of-pocket maximum. Once you reach the family out-of-pocket maximum, Kaiser Permanente will pay for 100 percent of covered services for all family members for the rest of the calendar year. Both deductible and HSA-qualified plans have individual OOPMs for people with individual coverage .
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. ¹

For more detailed information about how plan types work, please consult the applicable *Membership Agreement* or *Certificate of Insurance*, which is available upon request.

¹ Tax savings refer to federal income tax only. For more information, please consult your financial or tax adviser.

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