



BlueCross BlueShield of Illinois

Experience. Wellness. Everywhere.™

HSA-Compatible Health Plans!

Blue Cross and Blue Shield of Illinois is now offering high deductible health plans that are designed to be used with Health Savings Accounts (HSAs)

Two plans: **BlueEdgeSM** Individual HSA and **BlueEdgeSM** Individual HSA 5000

- A wide range of deductibles
- Low prices
- Highly competitive benefits with up to 100% coverage
- Can be paired with any HSA chosen by your client

A perfect fit for your under-65 portfolio!

INDIVIDUAL AND FAMILY HEALTH INSURANCE

it just fits.

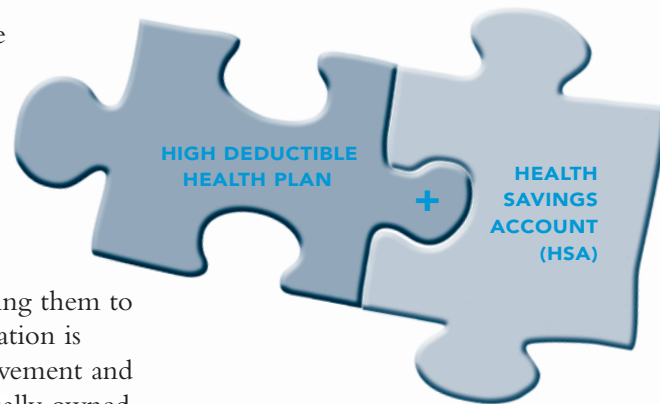
High Deductible Plans plus HSAs: More Advantages Than Ever!

High deductible health insurance plans answer the need for reliable coverage with lower prices. They typically cost less than major medical plans with lower deductibles, because policyholders agree to assume a greater share of the cost of their health care expenses initially. The minimum annual deductible is \$1,150 for individuals and \$2,300 for families.

As of January 1, 2004, legislation passed by Congress made high deductible health plans even more attractive than ever — by allowing them to qualify for use with a Health Savings Account (HSA).^{*} This legislation is the result of a provision of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. An HSA is a tax-advantaged, individually owned savings account that your clients can use to cover a wide range of qualified medical expenses. That includes their annual deductible and, if applicable, any out-of-pocket cost-sharing for covered services.

HSAs are subject to rules similar to those of individual retirement accounts (IRAs), except that HSA funds are generally not taxed when they are withdrawn to pay for qualified medical expenses.

^{*}Please be reminded that Health Savings Accounts (HSA) have tax and legal ramifications. Blue Cross and Blue Shield of Illinois does not provide legal or tax advice, and nothing herein should be construed as legal or tax advice. These materials, and any tax-related statements in them, are not intended or written to be used, and cannot be used or relied on, for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the promotion or marketing of the transaction(s) or matter(s) addressed by these materials. You should seek advice based on your particular circumstances from an independent tax advisor regarding the tax consequences of specific health insurance plans or products.



Here are the major benefits of an HSA:

Control: The money in a health savings account belongs to your clients. They decide how to spend the money in their account based on their particular health care needs and budget. HSA funds can be used to pay for qualified medical expenses not covered by their health insurance plan.

NOTE: Funds withdrawn other than for qualified medical expenses may be subject to tax and a 10% penalty.

Flexibility: Your clients can deposit (generally until age 65) or withdraw their money any time without a tax penalty as long as they use it for qualified medical expenses. There is a yearly maximum amount for contributions.

Portability: Your clients can take their HSA with them from one employer to another and continue to make contributions and withdrawals. Also, unused funds roll over from one year to the next.

Tax Savings: An HSA allows your clients to put away fully tax-deductible money for medical expenses. This means they can set aside income-tax-free dollars, subject to certain limits, in an HSA to pay for qualified medical expenses. While their health savings account builds savings, it also accumulates interest on a tax-free basis. Your clients pay no taxes or penalties when they use funds from their HSA to pay for qualified medical expenses, and all deductible levels qualify for these advantages.

Two Innovative High Deductible Plans from Blue Cross and Blue Shield of Illinois

As the leading health insurer in Illinois, Blue Cross and Blue Shield of Illinois is always looking for innovative ways to help you increase your sales while offering cutting edge products to satisfy your clients. We are pleased to present **BlueEdge Individual HSA** and **BlueEdge Individual HSA 5000** — two high deductible health insurance plans that can be used with a Health Savings Account (HSA).

Not only do both of our BlueEdge high deductible products provide benefits for the same services as our top-of-the-line major medical plan...they even offer more coverage than high deductible plans from other companies. Of course, your clients can expect to find all the “standard” coverage of major medical plans — like benefits for

hospitalization, surgery, doctor office visits, inpatient and outpatient care and emergency care.

But, as the leading insurer in the state, Blue Cross and Blue Shield of Illinois can give you a competitive edge over other companies with these features:

- Optional maternity coverage
- Prescription drug coverage, well-child care and adult wellness
- 100% coverage after deductible with BlueEdge Individual HSA 5000
- 100% or 80% coverage with BlueEdge Individual HSA

Product Profiles

BlueEdge Individual HSA

- Choice of four deductibles for individuals: \$1,150, \$1,750, \$2,600 and \$3,500
- Choice of four deductibles for families: \$2,300, \$3,500, \$5,200 and \$7,000
- 100% or 80% coverage for service through participating providers
- When the out-of-pocket expense limits are reached, covered benefits are fully paid
- Prices reflect a 10% discount for families

BlueEdge Individual HSA 5000

- \$5,000 deductible for individuals and \$10,000 deductible for families
- 100% coverage for services through participating providers (This means your clients pay nothing for covered services used through participating providers once they meet their deductible.)
- Prices reflect a 10% discount for families

Which BlueEdge HSA Insurance Plan Is Right for Your Client?

Although there is no “right” answer to this question, here are some guidelines for helping your clients make a decision.

Clients who are relatively young with a good health history may want to choose **BlueEdge Individual HSA 5000**. That’s because they may feel that they are unlikely to incur high health care expenses in any given year. Also, you can point out that their monthly premium will be lower with this plan.

On the other hand, clients who are willing to pay a little more for their monthly premiums in return for a lower annual deductible — as low as \$1,150 for individuals — may want to consider **BlueEdge Individual HSA**.



It's Easy to Help Your Clients Get the Most from Their BlueEdge HSA Plans...

1. Select and enroll your client in one of the BlueEdge HSA plans.
 - Choose the deductible and coverage that are best for your client.
 - Submit the application to underwriting.
 - Introduce information about HSA choices at this point. Please call your marketing consultant or go to the Web site for a list of HSA institutions with whom Blue Cross and Blue Shield of Illinois has contracts.
2. When you have your clients sign the policy papers, you should remind them that they may open an HSA once their health plan is active.
3. Once the BlueEdge policy is in force, you may choose to again follow up with your clients to remind them that they should open an HSA to get the most out of their health plan. Also, be sure to remind them that they should make contributions to the HSA as soon as possible to maximize tax advantages for the year.

Best Prospects for High Deductible Plans:

In general, you can expect these products to appeal to individuals and families who like to take control of their health care decisions — i.e., those who want the ability to decide what doctors to see, when to see them and how much to spend. Here is a list of the key market segments that represent potential clients:

- Self-employed individuals, who will welcome affordability, reliable benefits and the ability to save and invest with their HSA (These individuals may be able to deduct their premium payments.)
- Professional segment, looking for additional tax-advantaged savings vehicles that can be used for medical expenses
- Healthy individuals and families who appreciate the affordability and who are not as likely to have huge medical expenses associated with major illnesses; catastrophic coverage is especially important to this market segment
- Employers who are not offering a group plan and are looking for a way to help their employees affordably self-insure (List billing is available.)
- Working uninsured, who will appreciate the lower premiums, the reliable benefits and the “ownership” of their HSA; catastrophic coverage is especially important to this market segment
- Early retirees, who will be able to roll over their HSA and use it tax-free to pay for health care expenses in their retirement
- People between ages 55 and 64, who can benefit from catch-up contributions to their HSA (an annual additional contribution of up to \$1,000 is allowed in 2009 for these individuals)

Reasons Your Clients Will Want a BlueEdge HSA Plan...

- Low prices — BlueEdge Individual HSA 5000 is the lowest of any of our high deductible health plan options
- Up to \$5,000,000 in lifetime benefits for a wide variety of covered services
- 10% family discount for both BlueEdge insurance plans is factored into the premium
- Tax advantages and tax savings
- Unused yearly balance will roll over to grow on a tax-deferred basis
- Portability: clients own their HSA — even through changes in employment and even into retirement

BENEFIT	BlueEdge Individual HSA ¹	BlueEdge Individual HSA 5000 ¹
	Participating Provider Coverage	Participating Provider Coverage
Provider Network	90% of Illinois doctors; more than 200 hospitals	
Lifetime Benefit	\$5,000,000	
Individual Coverage Deductible Per calendar year	\$1,150, \$1,750, \$2,600 or \$3,500	\$5,000
Individual Out-of-Pocket Expense Limit	Annual deductible plus \$3,000 ²	Annual deductible
Family Coverage Deductible Per calendar year	Equal to two times the individual deductible	
Family Aggregate Out-of-Pocket Expense Limit Equal to two times the individual out-of-pocket limit per family, per calendar year	Annual deductible plus \$6,000 ²	Annual deductible
Hospital Services		
• Inpatient Physician Services	100% or 80%	100%
• Outpatient Services Includes surgery and pre-admission testing	100% or 80%	100%
• Inpatient Services Includes semi-private room and board, pre-admission testing, prescription drugs and more	100% or 80%	100%
• Inpatient/Outpatient Diagnostic Testing Includes X-rays, lab tests, EKGs, ECGs, pathology services, pulmonary function studies and more	100% or 80%	100%
Wellness Care From age 16. Covers services associated with both an annual physical exam and an annual gynecological exam. Includes immunizations and routine diagnostic tests received or ordered on the same day as part of the exam. (\$500 calendar-year maximum per person)	100% or 80%	100%
Well-Child Care To age 16. Includes immunizations, physical exams and routine diagnostic tests. (\$500 calendar-year maximum per dependent)	100% or 80%	100%
Outpatient Emergency Care Includes covered services received in a hospital or a physician's office	100% or 80%	100%
Physical, Occupational or Speech Therapist (\$3,000 maximum per therapy, per calendar year)	100% or 80%	100%
Mental Illness Treatment and Substance Abuse Rehabilitation Treatment		
• Inpatient Care (30 Inpatient Hospital days per calendar year)		
• Physician	100% or 80%	100%
• Hospital — First 14 days	60%	100%
• Thereafter	50%	100%
• Outpatient Care (30 visits per calendar year combined annual maximum and 100 visits per lifetime maximum)		
• Physician and Hospital	50%	100%
Optional Maternity Coverage Inpatient/Outpatient Hospital Services and Physician Medical/Surgical Services <i>When elected, maternity benefits will begin 365 days after the effective date of the maternity coverage</i>	100% or 80%	100%
Outpatient Prescription Drugs	100% or 80%	100%

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² The individual out-of-pocket expense plus individual deductible can not exceed \$5,800. The family aggregate out-of-pocket expense plus family deductible can not exceed \$11,600.

Health Savings Account (HSA) Guidelines:

Eligibility for HSAs

Generally, any individual under age 65 who is covered by a qualified high deductible health plan and who is not entitled to or covered by Medicare or other health insurance — including an unlimited health reimbursement account (HRA) or health flexible spending account (FSA) — can qualify. Individuals cannot be claimed as a dependent on someone else's tax return.

Eligible Expenses for HSAs

HSAs can be used to pay for many types of qualified medical expenses, even some that are often excluded by health insurance plans, only to the extent the expenses are not covered by insurance or otherwise. These include:

- Health insurance plan deductibles, copayments and coinsurance paid for qualified medical expenses
- Prescription and most over-the-counter drugs
- Dental services, including braces, bridges and crowns
- Vision care, including glasses and Lasik eye surgery
- Psychiatric and certain psychological treatments
- Qualified long-term care services and insurance premiums (subject to certain limits based on age and are adjusted annually)**
- Medically related transportation and lodging (subject to certain limitations)
- IRS code Section 213 expenses
- Premiums paid for health care continuation coverage, e.g. COBRA premiums and certain health insurance premiums (check with a tax advisor or IRS for specifics)**

Go to www.irs.gov for a complete list of what medical expenses are and are not approved by the IRS. (See Publication 502 and 969)

HSA Contributions

- Annual contribution limitations: up to 100% of deductible with a maximum of \$3,000 for individuals and \$5,950 for family coverage (These amounts may increase based upon IRS guidelines.)
- Additional catch-up contributions (\$1,000 in 2009) are allowed for individuals aged 55-64
- Married couples can make two catch-up contributions if each spouse is eligible
- Contribution deadline is due date of individual's federal income tax return
- Rollover contributions are allowed from another health savings account or medical savings account (MSA)

HSA Distributions

- Distributions are tax-free for qualified medical expenses of covered individual, spouse and dependents (cannot have a joint HSA, but expenses for both can come out of one account)
- Distributions from an HSA that are not used for qualified medical expenses are includable in the beneficiary's taxable income and also may be subject to an additional penalty of 10% of the includable amount
- Expenses must be incurred after the HSA has been set up
- Removing funds from account does not have to occur at same time as the actual medical expense
- Distributions may occur even if the individual is no longer eligible to contribute to the HSA
- HSA funds may accumulate for use after retirement
- The HSA holder is entirely responsible for determining the eligibility of the expense as well as for maintaining records and reporting

HSA Tax Guidelines

- Contributions are not subject to Federal, FICA or FUTA taxes
- State income tax exclusion may also apply
- Investment earnings are not subject to Federal income taxes
- Within limits, contributions to the HSA are tax deductible for Federal income tax purposes

**Note: Generally, an HSA may not be used to purchase health insurance unless specifically excepted. Expenses that are not qualified medical expenses include premiums paid for Medicare supplement coverage and Medigap. To be sure if a medical expense qualifies as eligible, you should check with a tax advisor or the IRS.

Consult These Resources for More Information About Health Savings Accounts (HSAs)

www.hsainsider.com

Information to help employers and individuals answer frequently asked questions about HSAs; information on a national level, as well as by individual states, on politics, regulations and industry news.

www.irs.gov

Information can be found by going to the homepage of this Web site and entering “health savings account” in the search box.

www.treas.gov/offices/public-affairs/hsa/technical-guidance

Not only technical information, but also basic information on HSAs; also a Frequently Asked Questions section.

www.ama-assn.org

A report by the American Medical Association on the history and development of HSAs; a comparison with Medical Savings Accounts; the demand for HSAs by individuals and employers, and more.

Do you have questions about the **BlueEdge** Individual HSA Plans?

Call your marketing consultant or general agent
or visit www.bcbsil.com/dmagents

To order **BlueEdge** HSA supplies:

Fax your order to (847) 647-0286, or for faster service you can print supplies by going to www.bcbsil.com/dmagents



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