

BlueFund Consumer Directed Health Plan Health Savings Account Frequently Asked Questions

QUESTION	Local Group Account Answer
What is a Health Savings Account (HSA)?	<p>An HSA is a consumer-oriented, tax-advantaged savings account that is always combined with a high deductible health plan (HDHP) and is:</p> <ul style="list-style-type: none"> ■ a true cash account that is accessible to you, ■ an interest-accruing account, similar to an Individual Retirement Account (IRA), ■ established for eligible individuals by employers, their employees or the individuals themselves, ■ an account whose balance rolls over year after year and ■ not required to be funded every year. <p>Note: For 2008, an HDHP is an insurance plan with minimum annual deductibles of \$1,100 for individuals or \$2,200 for family coverage. The annual out-of-pocket expense maximums (including deductibles, coinsurance and copayments but not including premiums) cannot exceed \$5,600 for individuals and \$11,200 for families. The limits are indexed annually by the IRS. For 2009, the minimum annual deductible is \$1,150 for individuals and \$2,300 for family. The annual out-of-pocket expense maximums cannot exceed \$5,800 for individuals and \$11,600 for family.</p>
How long have HSAs been on the market?	Health benefit companies began offering HSAs on January 1, 2004.
What is a High Deductible Health Plan (HDHP)?	An HDHP is a health insurance plan with a minimum annual deductible of \$1,100 for individuals or \$2,200 for family coverage (2008) and \$1,150 for individuals and \$2,300 for family (2009). The limits are indexed annually by the IRS. The maximum deductible allowed is equal to the maximum out-of-pocket expense. For 2008, the maximum out-of-pocket for individuals is \$5,600 and \$11,200 for family. For 2009, the maximum out-of-pocket for individuals is \$5,800 and \$11,600 for family.
Briefly describe CareFirst's benefit model and services, indicating design options available to the employer.	<p>CareFirst BlueCross BlueShield (CareFirst) Consumer Directed Health (CDH) Plans, called BlueFund, puts you, the consumer, in the driver's seat. BlueFund combines a CareFirst health plan with an employer-funded Health Reimbursement Arrangement (HRA) or a Health Savings Account (HSA) to cover health care expenses. Access to online self-service tools and health and wellness information helps you manage your health care.</p> <p>Advantages:</p> <ul style="list-style-type: none"> ■ A medical spending account (either an HRA or HSA) is set up with a predetermined amount of funds, which can be used to pay for out-of-pocket member expenses. ■ Unspent funds are rolled over to the next year, thus increasing employees' total account fund. ■ Employees make the decision on where and how to spend their health care funds, while still benefiting from the BlueCross BlueShield (BCBS) provider discounts. ■ Online tools help employees keep track of their fund balance and manage their benefits. ■ Freedom to select any doctor and in most cases, no referrals are necessary. ■ 100% coverage or a small copay coverage for routine preventive care when using in-network providers. ■ No claim forms to fill out for in-network and out-of-network services when rendered by participating providers. ■ Large national network of preferred and participating providers through BlueCard® - more than 6,100 hospitals and 700,000 providers.

HEALTH SAVINGS ACCOUNT (continued)

QUESTION	Local Group Account Answer
How do your CDH models control costs better than traditional or managed care health plans?	The CDH product manages health care costs better than other traditional plans through its cost-sharing design that gives employees increased financial responsibility while empowering them with the information and tools required to manage their own health. It promotes improved health outcomes by: financially encouraging investment in healthy behavior; providing health and wellness information; offering first dollar coverage (no deductible) for preventive care services; assisting employees most at risk of disease and chronic illness through care management services; and making innovative technologies available for total benefit management by employees. The flexible product designs, based on HMO and PPO plans, offer employees more choices in the selection of their providers and some plans allow the freedom to see providers outside the health care network. Health care network providers are contracted to offer BCBS plans greater discounts on their services and are reimbursed according to a negotiated fee schedule. These discounted savings are passed on to employees each time they use a health care provider and in so doing employees reduce their out-of-pocket costs.
How does participating in an HSA affect how I use my health plan?	HSA participants still follow their health plan's guidelines for receiving care. The HSA is a funding mechanism for IRS eligible healthcare expenses not paid for by the plan.
What happens if my medical expenses do not exceed my annual deductible?	The money in HSAs belongs to the individual owner and will roll-over from year to year. The less money spent on medical expenses, the more money that will remain in the HSA for future years. Funds remaining in an HSA will earn interest.
How do I open an HSA?	If you are part of a group plan, your employer may offer an HSA as part of your benefits. You would then be able to open an HSA at the time of enrollment. If your employer does not offer an HSA, or if you have individual coverage, then you may want to research qualified HSA trustees or custodians by going to www.HSAinsider.com .
Who is a qualified HSA trustee or custodian?	An insurance company or a bank can be an HSA, trustee or custodian.
Who serves as the custodian for CareFirst's HSA program?	The trustee for BluePreferred HSA and BlueChoice HSA, if administered through CareFirst, is Mellon Bank.
How do HSAs differ from Flexible Spending Accounts (FSAs)?	Both HSAs and FSAs allow an individual to pay health care bills with pre-tax dollars. One key difference, however, is that HSA balances can roll over from year to year, while flex-plan money left unspent at the end of the year is forfeited. Also, FSA plans are employee funded while HSA plans may be funded by the employee and the employer. If your employer offers both, take advantage of both. However, the more money you leave in the HSA tax shelter, the more you will earn. Once you reach age 65, the money in an HSA effectively becomes a supplemental IRA. You may use it for any purpose, penalty-free.
How can I change the personal information on my accounts, such as my address, name or SSN, if they are incorrect?	If your employer is offering an HSA account through CareFirst, then contact your Human Resources (HR) department regarding the above mentioned changes. Your HR department will then contact CareFirst. If you have selected a bank separately, then contact them directly.

HEALTH SAVINGS ACCOUNT (continued)

QUESTION	Local Group Account Answer
What happens to the money if I don't use it at the end of the year?	The balance in your HSA rolls over from year-to-year and continues to grow interest on a tax-favored basis. The funds are deposited in a bank for you. You can always access the bank that holds your funds and you can save money for health care expenses over your lifetime.
Who has control over the money invested in a Health Savings Account?	The individual who owns the account will have control over the assets.
Can I add, replace, or remove another individual on my account?	Your name, as owner, will be the only name on the HSA. However, you can authorize other individuals to sign checks drawn on the account or request additional debit cards for eligible family members. For additional or replacement debit cards, please contact BlueFund Administration at 877-956-5552.
Are there any penalties?	If you use HSA funds for expenses that are not qualified medical expenses, those distributions will be subject to ordinary income tax, and, in some cases, a 10% penalty. You should consult with a tax advisor for further guidance.
How often are account statements issued?	Statements are issued monthly via Mellon Bank.
Are members required to provide their SSN on the application or enrollment form?	Yes. Because this is a tax-advantaged account, the IRS requires that an SSN is provided. An alternative ID number provided by the Federal Government for those who do not qualify for an SSN may also be used. This number will start with a "9".
What happens to an HSA account in the event of a death?	The HSA funds would be distributed per the Beneficiary Designation form, if the account holder had completed it. If a Beneficiary Designation form was not completed, the HSA funds would become part of the account holder's estate.
What happens to an HSA account in the event of a divorce?	The HSA account belongs to the specific individual as a vested, qualified account. Notwithstanding, an account holder's interest in an HSA can be transferred to an HSA established for the spouse (or ex-spouse) under a decree of divorce or separate maintenance, or a written instrument incident to such decree. In the event of such a transfer, the distribution is not taxable or subject to the 10% excise tax, and the spouse (or ex-spouse) becomes the account holder of the newly created HSA.
What special reporting exists for HSAs?	Reporting capabilities include monthly paper reports similar to a checking account monthly statement, investment reports for invested funds, and IRS Forms 549ISA and 1099SA annually.
What happens when I terminate or become ineligible for the HDHP?	If you terminate employment or become ineligible for the high deductible health plan for your current employer, you need to request a new card from your bank. You may continue to use your checkbook to pay for eligible medical expenses. You may also want to determine if you are covered under a qualified high deductible health plan with your new employer in order to continue to make contributions to your HSA. If you are no longer on a high deductible health plan you will no longer be able to contribute to the HSA account; however, you may continue to use the HSA checks to pay for eligible medical expenses.
Is a member eligible for an HSA if the member receives VA medical benefits?	An individual who has an established HSA would not be able to make contributions for any month he or she has received VA medical benefits at anytime during the previous three months. The IRS has informally clarified that preventive care VA benefits will not trigger the three month ineligibility period.

FLEXIBLE SPENDING ACCOUNT

QUESTION	Local Group Account Answer
How do HSAs differ from Flexible Spending Accounts (FSAs)?	Both HSAs and FSAs allow an individual to pay health care bills with pre-tax dollars. One key difference, however, is that HSA balances can roll-over from year to year, while flex-plan money left unspent at the end of the year is forfeited. If your employer offers both, take advantage of both. However, the more money you leave in the HSA tax shelter, the more you will earn. Once you reach age 65, the money in an HSA effectively becomes a supplemental IRA. You may use it for any purpose, penalty-free.
What are the basic fees associated with FSA setup with FlexAmerica?	The setup fees for FlexAmerica's FSA administration are as follows: Setup- \$500 flat fee Renewal- \$500 setup and compliance testing (includes Form 5500 and compliance fees) PEPM- \$4.50 per participant per month Monthly minimum- \$150 Debit card- \$.75 per participant per month There is a one time setup fee as well as minimum balance fees as with many bank accounts. Please refer to your benefit materials provided by your employer for the most current administrative fee descriptions and amounts.
Can I roll my HRA or FSA money into my HSA?	The IRS allows employers to permit a one time tax-free rollover of unused Health FSA and/or HRA balances to an HSA, provided certain conditions are satisfied. An employer allowing this rollover will likely need to amend their plan document and summary plan description. If an employer offers this option, all employees covered under the employer's HDHP must be given the opportunity to rollover funds to the HSA. The rollover must be the lesser of the amount in the FSA/HRA as of September 21, 2006 or the amount in the account at the time of distribution. Only employees who had the HRA and/or Health FSA on September 21, 2006 and through the time of distribution may make rollovers to their HSA. This rule does not apply to FSA/HRA accounts established after this date. The rollover must occur before January 1, 2012. The rollover must be sent directly to the HSA custodian by the employer. The individual must be covered by an HDHP for 12 months after the transfer. If not, the funds transferred will be treated as taxable income and subject to a 10% excise tax. The rollover to the HSA is not subject to the maximum annual contribution limits. This means rollovers from the FSA/HRA to the HSA will not reduce the maximum annual contribution to the HSA during the calendar year in which the rollover occurs.

DEBIT CARDS AND BANKING

QUESTION	Local Group Account Answer
Who is the trustee for the HSA?	Mellon Bank is the trustee for BluePreferred and BlueChoice HSA plans.
Do I have to submit receipts?	You do not have to submit receipts for reimbursement, but we recommend you file your receipts with your other tax deduction receipts.
Will each covered family member receive a debit card?	No. One debit card is issued per family. Additional cards can be purchased for \$5 per card.
Is there a specific bank that is required?	For groups electing an HRA design, employers may select a bank of their choice. For HSA plans, members' accounts should be set up with Mellon Bank. Mellon, which manages HSA accounts and offers investment options, will send new members a welcome kit.
Are the funds contributed to a HSA guaranteed/insured (like the FDIC with a bank)?	Funds that are in the liquid account are insured. Funds that are invested are not insured.

DEBIT CARDS AND BANKING (continued)

QUESTION	Local Group Account Answer																								
When an employee is no longer enrolled in the employer-sponsored HDHP, what ongoing fees will need to be paid?	<p>Mellon Trust of New England, N.A. Health Savings Account Fee and Rate Schedule</p> <table border="0"> <tr> <td>Monthly Service Charge</td> <td>\$3.90 for account with a balance of \$1,000 or less; no charge for balance over \$1,000</td> </tr> <tr> <td>Interest rate</td> <td>0.600% (effective 4/1/08)</td> </tr> <tr> <td>Annual Percentage Yield</td> <td>0.617% (effective 4/1/08)</td> </tr> <tr> <td>Replacement/additional debit card</td> <td>\$10.00</td> </tr> <tr> <td>Checkbook reorder fee</td> <td>\$5.00</td> </tr> <tr> <td>Stop payment (per request)</td> <td>\$25.00</td> </tr> <tr> <td>Returned item (per instance)</td> <td>\$25.00</td> </tr> <tr> <td>Copy of a check, statement or other document (per request)</td> <td>\$5.00</td> </tr> <tr> <td>Custodian Check issuance fee</td> <td>\$25.00</td> </tr> <tr> <td>Excess contribution reimbursement</td> <td>\$25.00</td> </tr> <tr> <td>Attachment/levies/legal requests/subpoenas</td> <td>\$75.00</td> </tr> <tr> <td>Statement reconciliation/account research</td> <td>\$20.00 per hour</td> </tr> </table>	Monthly Service Charge	\$3.90 for account with a balance of \$1,000 or less; no charge for balance over \$1,000	Interest rate	0.600% (effective 4/1/08)	Annual Percentage Yield	0.617% (effective 4/1/08)	Replacement/additional debit card	\$10.00	Checkbook reorder fee	\$5.00	Stop payment (per request)	\$25.00	Returned item (per instance)	\$25.00	Copy of a check, statement or other document (per request)	\$5.00	Custodian Check issuance fee	\$25.00	Excess contribution reimbursement	\$25.00	Attachment/levies/legal requests/subpoenas	\$75.00	Statement reconciliation/account research	\$20.00 per hour
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Will you allow employees to return mistaken distributions to the HSA?	Yes, via Mellon Bank, we will allow employees to return mistaken distributions (distributions accidentally used on non-qualified health expenses) to the HSA so long as this is completed before the tax filing deadline for the associated year. Interest will not be credited on mistaken distributions. Members simply download a form or call customer service to request the form from Mellon. They complete it according to the instructions on the form, and send it to the bank with a check to be deposited into their account.																								
Will you accept roll-over contributions?	Yes. If a member elects to roll-over the funds from a previous HSA into their new HSA, the member would be required to request a distribution from their current custodian, and complete the necessary forms to open and establish their new account.																								
Is there a minimum or guaranteed interest rate credited on HSA balances? How often is it credited? Does it apply to the entire HSA balance or only amounts that have not specifically been invested?	Transactional HSA account deposit contributions earn 1.31 percent on day one. Once a minimum balance of \$3,000 is reached, the member may choose to invest in their choice of seven, no load, no fee investment options in minimum investments of \$1,000.																								
How do HSA investments actually work? Is only the amount above the minimum balance invested? What happens when an employee has an expense that is significant and requires that investments be sold?	The member uses the trustee's online investment tools or contacts their investment advisor to move the funds to the investment that the employee selects. Once a minimum balance of \$3,000 is reached, the member may choose to invest in their choice of seven, no load, no fee investment options in minimum investments of \$1,000. If funds are needed for expenses, the investment must be sold and the money deposited back into the HSA account for distributions to occur.																								
Do you provide monthly (or annual) HSA statements?	Monthly bank statements are sent to members from Mellon Bank. This information will also be available online and is updated daily.																								
What methods of HSA disbursement do you offer? Debit Cards, Checks, ATM, etc.	The preferred method of disbursement from HSA accounts is through a debit card, which is merchant code restricted. Members also receive 10 checks, which can be used to access the funds in their account. Additional checks can be ordered for a fee.																								
If you provide an HSA debit card, have you given consideration to offering a limited credit feature to cover expenses once HSA funds have been exhausted? Can an employee "attach" a credit card to their debit card?	Members have access to the funds in their HSA with the debit card. Once the funds are exhausted, there is not an additional line of credit.																								

DEBIT CARDS AND BANKING (continued)

QUESTION	Local Group Account Answer
For services paid with both HSA and plan dollars on an automated basis, will the Explanation of Benefits (EOB) indicate both sources of payments?	No. The EOB will show CDH coverage; a bank statement, if elected by the account holder, will reflect the HSA balances.
Do you have a recommendation for the employer on the timing of when to make the contribution to the employees' HSAs (annual, monthly, other)?	To encourage participation, it is recommended that the employer contribute their full contribution on day one of the plan year (calendar year). By the employer contributing their full amount on day one, the employees can get accustomed to the cost without trying to forgo needed care.
To the extent that the employer makes only monthly contributions to the employees' HSAs, what solutions can you offer that address the issue of employees with large claims early in the year (i.e. the employee has not yet received/earned their entire annual employer contribution)?	If the employee does not have all of the funds in their account at the time, the claim can be submitted later when the funds are available in the account.
Do I need to submit documentation for my debit card purchases?	No, you do not need to submit documentation, but you should keep all receipts. It is your responsibility to ensure that all charges are eligible medical expenses according to IRS regulations.
Can I request a debit card for my spouse or dependent?	Yes, you may receive an additional card for \$5.00, which will be deducted from your account balance. Please note that you do not need to have a separate card for each dependent and their expenses. You may use the same card for all eligible charges. Additional cards should only be ordered for eligible spouses or eligible dependents.
What should I do if I charge an ineligible expense by accident?	You should refund the money back to your account for the ineligible expense. You can do this by writing a personal check and depositing the money back into your HSA account. Please be sure to keep a record and receipts for all transactions.
Can I use my card at all merchants?	No, please remember that this is a limited use card and has been programmed to accept only eligible merchants. Please note that there may be times when an eligible merchant has an incorrect code programmed in the merchant's machine, which may result in a denial.
What should I do if my charge is denied?	You should contact BlueFund Administration by calling the Customer Service number on your health plan ID card to determine the reason for the denial. If you pay for the charge using a personal check or cash, you can reimburse yourself using the HSA checks at a later date.
What are some of the reasons why my card may be denied?	Invalid merchant codes, charges which exceed the annual election for medical, or charges which exceed available balance are some of the reason charges may be denied.
What happens when I terminate or become ineligible for the plan?	If you terminate employment or become ineligible for the high deductible health plan for your current employer, you should destroy your debit card and request a new card from Mellon Bank. You may continue to use your checkbook to pay for eligible medical expenses. You may also want to determine if you are covered under a qualified high deductible medical plan with your new employer in order to continue to make contributions to your HSA. If you are no longer on a high deductible health plan you will no longer be able to contribute to the HSA account; however, you may continue to use the HSA checks to pay for eligible medical expenses.
What should I do if my card is stolen and/or has fraudulent charges?	You should contact Mellon Bank. If the card is used fraudulently you will need to complete the Fraudulent Claim form, which is available by contacting BlueFund.
Will I receive a new card every year?	No, you will not receive a new card each year. Please continue to use the same card. Your account balance will continue to accumulate. The cards do have an expiration date of three years from the date of issuance and you will receive a new card thirty days prior to the expiration date automatically.
Will my new contributions automatically be added to my card?	Yes, the card is updated automatically with your new contributions.

TAX

QUESTION	Local Group Account Answer
What are the tax implications of an HSA?	<p>HSA contributions are pre-tax if made through salary deductions or tax deductible if made through manual contributions. This enables you to receive a triple-tax benefit: Your contributions, earnings and withdrawals, when used for qualified medical expenses, are not subject to federal tax.</p> <ul style="list-style-type: none"> ■ HSA distributions are tax-free if they are used to pay for qualified medical expenses. ■ Distributions made for any other purpose are generally subject to income tax and a 10% penalty. ■ HSA ownership may transfer to the spouse, upon death, on a tax-free basis. ■ HSA funds are an interest-accruing cash account and can be invested, when a minimum balance is achieved, in an array of investments that earn greater interest. These earnings are tax-free if funds are spent on qualified expenses.
Do I pay taxes on the money in the account not used for medical expenses?	<p>The only time tax is ever paid on HSA principal or interest is if the money is withdrawn for non-medical expenses prior to age 65. This is considered a “premature withdrawal” unless an exception applies, such as disability. Upon reaching age 65, you will only be liable for taxes on the money you withdraw that is not used for medical expenses, with no penalty for “early” withdrawal since, by definition, a withdrawal can only be “early” under the HSA law prior to age 65. This also means you can withdraw funds to pay for medical expenses at any time after turning age 65 and never pay taxes on those dollars.</p>
Can I pay out-of-pocket medical expenses with after-tax dollars instead of using my HSA funds?	<p>Yes.</p>
What support do you provide for employees at open enrollment/ tax time for employees in understanding and completing their tax filing requirements?	<p>Although members are responsible for the determination of qualified versus non-qualified medical expenses and all individual tax reporting, CareFirst provides listings of eligible expenses (as listed in Section 213 of the IRS tax code) in employee communications. CareFirst can offer additional support as a customized open enrollment option if the group so chooses.</p>
Where will the contribution be shown in the W-2 for both employee and employer?	<p>The amount is shown in box 12 (which includes both employer and employee contributions.)</p>
Are 1099 (MSGR only) employees eligible for the HSA product?	<p>Yes, they are eligible if entitled to coverage. Please note that the group’s legal council needs to advise if this is a pre- or post-tax contribution. The IRS is not clear on it and we will not advise the group’s member at that level. If the legal advice is that the member can have the account pre-tax, they can enroll per our usual process. If a post-tax contribution is necessary, that member must be enrolled in the Compatible version of the BlueFund plan so that our vendor is aware that they cannot fund using pre-tax money.</p>

HSA ACCOUNT IMPLEMENTATION

QUESTION	Local Group Account Answer
<p>What are the processes/ requirements to establish the employee HSAs? Is an employee signature required? Is a beneficiary election required? Can employees establish their HSA at open enrollment electronically? using voice response? using paper?</p>	<p>Employees are able to establish their accounts online using an electronic signature or by paper. Employees will be required to complete the enrollment process which contains instructions for account setup, a calculator, enrollment agreement and the account application. Paper forms such as an account closing form, tax-year designation form, and a Request for Roll-over form may apply depending on the individual’s unique situation. During enrollment, the account holder will be required to complete an enrollment agreement, where they will make a payroll deduction election. Upon receipt of the enrollment confirmation and account application, a HSA account will be established in the individual’s name. Within the funding process, the client will send a lump sum fund, based on payroll deductions withheld, to a holding account. The client will also send the contributions file to our administrator. The administrator will perform an audit against the payroll file to ensure participation in the high deductible plan and then instruct the trustee to move the funds to their respective individual accounts. If deductions are invalid, the administrator will report to the client and assist in reconciling the main holding account.</p>

HSA ACCOUNT IMPLEMENTATION (CONTINUED)

QUESTION	Local Group Account Answer
Please discuss the processes involved where an employer changes both their HDHP administrator and their sponsored HSA administrator?	CareFirst has a process in place where forms are sent to the employee to elect to move their funds to the new bank. However, these are the employees' funds, and their permission is needed to transfer the funds. Once we receive the completed form, we can have the administrators and banks work together to transfer the funds and account information.

HEALTH BUSINESS PLAN RULES

QUESTION	Local Group Account Answer
Are all medical expenses paid from the HSA applied to my annual deductible?	No. The only items applied to the deductible are covered services under the health care and Prescription Drug Program (if you have a combined medical and prescription drug deductible). While your HSA funds are available for many eligible expenses, some of these expenses may not apply to your deductible. See your benefit guide for covered services under your health care and Prescription Drug Program that will apply towards your deductible.
Can I pay out-of-pocket medical expenses with after-tax dollars instead of using my HSA funds?	Yes.
Is there a minimum number of employees required to provide a quote?	BlueFund and HRA/HRA Compatible Health plans are available as a full replacement or part of Blue Selections and follow the eligibility rules already in place for our small and large groups on the Flexx System.
Can the program be set up as a fully- or self-insured funding arrangement?	Yes. The BlueFund or HRA/HSA Compatible Health plans are available to both fully- and self-insured clients within our service area (MD, DC and Northern VA).
What requirements must members meet to participate in an HSA plan?	<ul style="list-style-type: none"> ■ To qualify for the tax benefits of an HSA, the HSA must be the only medical coverage for the member. The only exception is that a member may be enrolled in two HDHPs and still qualify to have an HSA. Coordination of benefits for medical coverage below the high deductible is not applicable to HSA plans. Additionally, the subscriber cannot be claimed as a dependent on another's taxes; dependents must be claimed on the subscriber's return to be eligible for expense reimbursement. ■ Members cannot be enrolled in Medicare Part A or B. ■ Domestic partnerships cannot be covered by the funding account; however, the medical coverage can be used. For this coverage, deductibles may be set at a family level, but the account contribution will remain at the individual level.

HEALTH BUSINESS PLAN RULES (continued)

QUESTION	Local Group Account Answer
Describe your approach to preventive care, in particular how it is integrated into your benefit structure.	CareFirst's CDH product provides 100% coverage for regular preventive services such as annual adult physicals, mammograms and pap tests, prostate and colorectal screenings, and well-child care. Our quality improvement area has developed preventive services guidelines applicable to our member population, which support our providers in rendering preventive health services and treating chronic diseases. Preventive services guidelines are summaries of expert recommendations, although modification to the guidelines may be deemed appropriate based on the member's personal health care needs or risk factors. The full set of preventive services guidelines is available to providers and members on our website, www.carefirst.com , or on paper upon request. We may add or delete guidelines at any time throughout the year as recommended by the appropriate medical authorities. Notification of changes to the guidelines is communicated to providers and members through our newsletters. It should be noted that certain employer contracts may specifically exclude some or all preventive health services. Therefore, these guidelines do not necessarily indicate that the member has a benefit that covers the procedures, tests, or immunizations listed. Member and provider compliance with preventive services guidelines is tracked through patient medical record documentation. As a part of the Quality Improvement program, targeted educational mailings are sent to members and providers reminding them of the importance of preventive health care. Physician advisors contribute their knowledge and experience to develop effective tactics for improved care and disease prevention. The mailings along with physician advisory input are used as a basis to improve member access to preventive health services.
What about Rx Preventive Guidelines?	No prescription drugs will be recognized as preventive as part of the standard CDH Rx product for HSA or HRA Compatible plans. Reasoning: Although HSA regulation language clearly states that it is not the intent of the Department of Treasury to include the treatment of chronic illnesses, the classification of treatment as "chronic" versus "preventive" cannot be objectively and consistently determined, or administered. For example, The Dept. of Treasury provided the example of the ACE-inhibitors as being preventive when used in patients following a heart attack. However, the ACE-inhibitors are also widely used for the treatment of high blood pressure, which is implied to be treatment of a chronic illness. The medical literature clearly shows that prolonged uncontrolled high blood pressure increases the risk of heart attacks.

CONTRIBUTIONS

QUESTION	Local Group Account Answer
If I have an HSA, and my spouse has a traditional health plan, can I use HSA funds to reimburse out-of-pocket costs for their health plan?	Yes, subscribers may use HSA money for 213d expenses, including the spouse's and dependents' deductible amounts and copays for their non-HDHP.
An employee changes from Family coverage to Individual coverage mid-year. What are a husband and wife allowed on their funding?	The amount that can be contributed to an HSA is regulated by the IRS. The IRS has established maximum contributions amounts of \$2,900 (for 2008) for members with Individual coverage and \$5,800 (for 2008) for members with other than Individual coverage. If an account holder switches from Family coverage to Individual coverage, the amount that can be contributed is prorated. For instance, if the member had six months of family coverage and six months of Individual coverage, the member could contribute \$4,350 to the HSA (\$2,900 plus \$1,450). If both spouse are enrolled as Individuals in HDHPs, they may have separate HSAs, but the total of their contributions cannot be more than \$5,800 (for 2008). The deductible amount is irrelevant; what matters is how long the member is enrolled in the coverage level.
If a husband has an HSA through his employer and the wife has an HSA through her employer, can the husband's HSA be used to pay or reimburse qualified medical expenses on the wife. ultimately letting the wife's savings grow?	Yes, they can use the husband's HSA account for expenses and let the wife's HSA grow. If both spouses are enrolled as Individuals in separate HDHPs, they may have separate HSAs, but they may only contribute up to the Individual Maximum in each of their HSAs which is \$2,900. So together they can contribute a total of \$5,800, but neither may contribute more than \$2,900 in their personal HSA (for 2008).

CLAIMS PROCESSING

QUESTION	Local Group Account Answer
Are CareFirst's CDH plans set up in the same system?	The medical and HRA/HSA plans are administered on two separate, but integrated, systems. The medical plan is administered on CareFirst's Flexx system and the HRA/HSA plan is administered by FlexAmerica, an HRA/FSA administrator.
Describe the HSA claims process for expenses not covered at point of sale. Include information on automatic (plan related) expenses and expenses that are not related to the health plan (e.g., vision expenses).	Typically with a medical service, the provider submits a claim to CareFirst. In the traditional manner, the physician is notified of the subscriber liability, at which point they will bill the member. In this instance, as well as when the member knows that an expense will not be covered under the plan benefits, they can utilize a debit card for expenses not covered by the health plan. The account holder can swipe the card, at which time the funds will be electronically transferred to the merchant. The account holder (member) can also use a personal check, cash, or credit card at the point of sale. The account holder can then reimburse themselves using their HSA checks.
Describe the process by which an employee would get a "manual" disbursement (qualified or non-qualified) from their HSA?	Not applicable, see answer above.
For pharmacy claims, do you have a point-of-service adjudication process that allows the HSA or medical plan to be used for payment when funds/benefits are available?	Yes. When a member goes to pharmacy, they pay the full discounted amount with the debit card. The pharmacy provider will then submit the claim to Argus, CareFirst's pharmacy benefit manager. Argus sends claim to CareFirst to update deductible and OOP maximum, and the member portal lists the claim applying toward the deductible and OOP maximum. In brief, the debit card is used to pay the pharmacist; the funds are deducted out of member's account; and the member portal reflects the transaction.

ANCILLARIES

QUESTION	Local Group Account Answer
What are the minimum participation requirements for dental and vision products?	Participation of at least 75 percent is necessary for dental and vision, including DHMO participation.
Are ancillary and rider provisions offered at the product level or group level?	Ancillary regional dental, BlueVision Plus, and BlueChoice riders for transplants, domestic partnerships coverage, and durable medical equipment, must be offered and chosen at the group, not product level.
Is vision coverage core to the HSA, HRA, and compatible plans?	Vision coverage is core to plans utilizing an HRA or HRA compatible design. However, vision coverage is not core to HSA or HSA compatible plans.
Are prescription drug deductibles integrated with medical deductibles?	HSA plans must utilize a combined medical and drug deductible, out-of-pocket maximum, and lifetime maximum. Remember that groups with less than 200 enrolled contracts may not carve out prescription drug coverage.
How is claims data transferred from the prescription carrier to the plan?	Argus receives the claims data from the pharmacy at the point of sale. Claims are then transferred in a daily feed from Argus to CareFirst, calculating deductibles and out-of-pocket maximums.
Are prescription drugs subject to the annual deductible?	Yes. Prescriptions will be subject to the annual plan deductible and are subject to copays or coinsurance after the deductible is met. You simply show your CareFirst ID or prescription drug card to the pharmacy and receive the discounted rate for the prescription. If you have an HSA plan, you can also use your HSA debit card.
How much will my prescription drugs cost?	Before you meet your deductible, you will pay the discounted amount for the prescription – that is, the actual cost of the drug as agreed to by CareFirst. After you meet your annual deductible, you will be responsible for the appropriate copayment or coinsurance only.
Is dental coverage a core product offering with CDH plan designs?	Dental coverage cannot be integrated with the CDH plan designs.

ANCILLARIES (continues)

QUESTION	Local Group Account Answer
How do mail-order pharmacy benefits work under CDH plans?	Mail-order pharmacy benefits are applicable to individuals who meet their total deductibles first. Pharmacy benefits are paid using the CareFirst discount until the deductible is met. Once the deductible is met, members can access drugs using copays and will pay two copays for 3 months of refills.

CUSTOMER SERVICES

QUESTION	Local Group Account Answer
Which questions/functions will not be handled by the medical plan customer service unit (i.e. require the members to contact your banking partner)?	CareFirst customer service representatives will handle questions regarding account balances and basic information. However, should the member require further assistance, a CareFirst member services representative will transfer them directly to BlueFund Administration. These representatives will also transfer the member back to a CareFirst representative if necessary. This customer service process is seamless. HSA investment inquiries should be directed to Mellon Bank.

ONLINE TOOLS

QUESTION	Local Group Account Answer
Do members have online access to information for CDH plans?	CDH members can access the CareFirst web site by logging on to My Account at www.carefirst.com , using a protected password. Once in the site they can access their personal medical and HRA/HSA claims and eligibility information along with other healthcare features. This connectivity makes it easy for them to have all of the important features for managing their account and their health in the same location.
What specific online features are available?	<p>The web site now includes the following features:</p> <ul style="list-style-type: none"> ■ claims search and details ■ eligibility ■ deductibles and maximums ■ provider directory ■ high level benefits ■ customer service communication ■ broadcast messages ■ forms download ■ update Coordination of Benefits (COB) ■ account specific links <p>Member functions include:</p> <ul style="list-style-type: none"> ■ online registration ■ view claims status and details ■ view accumulated deductibles, out-of-pocket maximums ■ view eligibility information ■ view/print provider directory ■ view Medicare claims and eligibility information ■ view other insurance info ■ forms download ■ message center ■ request identification cards ■ view/search Explanation of Benefits (EOBs) screens ■ update COB information ■ e-mail customer service

ONLINE TOOLS (continued)

QUESTION	Local Group Account Answer
	<p>Additional site features include:</p> <ul style="list-style-type: none"> ■ glossary ■ frequently asked questions (FAQs) ■ site map ■ online help ■ online policies ■ site feedback ■ online demo (NASCO only) ■ terms and conditions ■ sign on and authentication <p>The HSA/HRA information available online includes:</p> <ul style="list-style-type: none"> ■ account summary which includes annual contribution, rollover amount, and total amount ■ Year-to-Date transactions which includes credits, reimbursements, debits cleared, debits pending, and available balance ■ HRA Transactions ■ current and prior year transactions ■ individual transaction dates ■ credit and debit amounts ■ reference numbers ■ descriptions ■ reimbursement requests ■ available balances <p>Other features include:</p> <p>Hospital Comparison Tool (Select Quality Care) Select Quality Care is a decision support tool that allows you to create an independent comparison of hospitals by procedure or diagnosis within a specific geographic area.</p> <p>There are 4 measures members will be able to review:</p> <ul style="list-style-type: none"> ■ Number of Patients Treated ■ Mortality Rates ■ Complication Rates ■ Lengths of Stay <p>My Care First (Health and Wellness Information)</p> <ul style="list-style-type: none"> ■ health information and disease management resources ■ password protection for personalization ■ health risk assessments (HRA) ■ medical library ■ cool tools which include calculators, diaries, quizzes, polls, nutritional toolbox

ONLINE TOOLS (continued)

QUESTION	Local Group Account Answer
	<p>Options program</p> <ul style="list-style-type: none"> ■ massage, acupuncture, and chiropractic care ■ fitness memberships ■ hearing care services ■ laser vision correction ■ mail order contact lenses ■ eldercare services ■ Weight Watchers Online® ■ Tai chi ■ Qi Gong ■ Pilates ■ Yoga
Is there a CDH cost calculator available to members during the enrollment process?	<p>When groups choose to simplify their enrollment with CareFirst's web enrollment solution, CareFirstConnect, members have access to an online cost estimator. Using the CDH cost estimator before or during enrollment, members can estimate what their annual costs would be under a CDH plan. The enrollment tool feeds premium and out-of-pocket maximum information providing members with estimates for year-end rollovers.</p> <p>CareFirst has also partnered with <i>Subimo</i> to provide the CareFirst Coverage Advisor. CareFirst's Coverage Advisor can be accessed through www.carefirst.com to help members, employees and customers compare out-of-pocket costs and tax savings for various plan offerings. Simply visit the <i>Members and Visitors</i> portal and then select <i>Open Enrollment Central</i>.</p>
If you have HSA information available through your member web site, how frequently is it updated?	HSA information is updated daily on the CareFirst web site.

BENEFICIARIES (HSA)

QUESTION	Local Group Account Answer
What happens to an HSA account in the event of a death?	The HSA funds would be distributed per the Beneficiary Designation form, if the account holder had completed it. If a Beneficiary Designation form was not completed, the HSA funds would become part of the account holder's estate.
What happens to an HSA account in the event of a divorce?	The HSA account belongs to the specific individual as a vested, qualified account. Notwithstanding, an account holder's interest in an HSA can be transferred to an HSA established for the spouse (or ex-spouse) under a decree of divorce or separate maintenance, or a written instrument incident to such decree. In the event of such a transfer, the distribution is not taxable or subject to the 10% excise tax, and the spouse (or ex-spouse) becomes the account holder of the newly created HSA.

COB

QUESTION	Local Group Account Answer
Describe coordination of benefits with an HSA account.	There is no coordination of benefits with an HSA account since members can be covered only under the insurance plan utilizing the HSA. HSAs are regulated by the federal government and must conform to the standards set forth by the Internal Revenue Service.

CONTRIBUTIONS

QUESTION	Local Group Account Answer
Who may contribute to an HSA?	For an HSA established by an employer, the employer, the employee or both may contribute to the HSA. A self-employed or unemployed individual may also establish and contribute to an HSA. Family members may also make contributions to an established HSA on behalf of another family member, as long as the family members are both considered eligible individuals to contribute to an HSA.
How much can I contribute toward my HSA?	The maximum annual contributions are determined by the IRS, as follows. Regardless of the plan's deductible, the established maximums can be contributed: <ul style="list-style-type: none"> • \$2,850 for individual and \$5,650 for family coverage for 2007 • \$2,900 for individual and \$5,800 for family coverage for 2008 • \$3,000 for individual and \$5,950 for family coverage for 2009 Maximum Annual Contributions do not need to be prorated based on the date coverage began, with the following restrictions: <ul style="list-style-type: none"> • The accountholder must be covered by a qualifying HDHP during December of the year coverage began • Accountholder must maintain a qualifying HDHP coverage for Jan. - Dec. of the following year.
What will happen to the money in my HSA if I leave my current employer?	If you leave your place of employment, you will still have access to the funds in your HSA. You may choose to roll the funds into the HSA of your new employer, move it to a different financial institution, or leave it where it is. If you leave the money with Mellon Bank, you will be charged a \$3.90 per month administration fee that will be deducted from your HSA account if the balance is less than \$1,000. If balance is \$1,000 or more, there is no charge. For a list of other financial institutions that offer HSA accounts, go to www.HSAinsider.com .
Will the HSA pre-fund my own annual contributions?	No. The HSA works like a bank account. If you do not have funds in the account to cover your expenses you can submit the expense later when you do have funds in the account.
How do members contribute funds to their accounts?	Members may choose to make contributions through cash deposits, by payroll contribution, or by transfer from previous HSA accounts.
Do you have employers making annual HSA contributions? Monthly contributions? Doing matching contributions? Providing incentive based HSA contributions?	We have employers that are making an annual contribution and also monthly contributions. Unfortunately, the current IRS rules limit incentive based contributions to the HSA. Our systems can, however, offer annual, quarterly, monthly, per pay, and matching contributions. We can also work with accounts on incentive based contributions.
Describe your desired process for receiving employee contributions made through a payroll deduction process.	The account will send an electronic payroll deduction file to FlexAmerica. FlexAmerica will work with the employer to determine a mutually acceptable file layout that can accommodate employer and employee contributions. The employer will be required to wire funds through an Automated Clearing House (ACH) to the trustee where they will be deposited into a reserve account, awaiting instruction from FlexAmerica to be credited to the individual accounts (if HSA). After the funds have been credited to their respective accounts, the employer will receive a reconciliation report.

CONTRIBUTIONS (continued)

QUESTION	Local Group Account Answer
Who receives the employer contributions to the employees' HSA? The medical plan or the banking partner?	The bank partner receives the employer and employee contributions. This transfer of information is managed by the administrator, FlexAmerica.
Can employer HSA contributions be made as part of the eligibility reporting process (eliminating the need for two separate feeds)?	Although CareFirst sends eligibility and enrollment information to FlexAmerica daily, the account will need to forward an additional payroll contribution file to FlexAmerica.
What is your desired process for receiving employer contributions?	The employer will be required to wire the funds via Automated Clearing House (ACH) to the trustee, where the funds will be deposited into a reserve account, where it will await instruction from FlexAmerica to be credited to the individual HSA account. After the funds have been credited to their respective accounts, the employer will receive a reconciliation report.
Can I change my contribution amount?	Yes, HSA contributions, through a cafeteria plan, may be changed at any time. Please note that contributions in excess of the maximum allowed will be subject to taxes as well as a 6% excise tax if they are not removed. You may also make a direct contribution to your HSA and deduct it from your tax return subject to the IRS limits.
Can I apply contributions to different tax years?	Contributions for an HSA account may not be made prior to the applicable tax year or after the filing date of the tax return without extensions (April 15th). For example, you may make a contribution to your HSA account for 2006 up until April 15, 2007 as long as you have not yet filed your taxes for 2006.



10455 Mill Run Circle
Owings Mills, Maryland 21117

www.carefirst.com

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