

BlueFund Consumer Directed Health Plan TOP 10 FREQUENTLY ASKED QUESTIONS

TOP 10 FREQUENTLY ASKED QUESTIONS	
QUESTION	Local Group Account Answer
1. 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 maximums (including deductibles, coinsurance and copayments but not including premiums) cannot exceed \$5,600 for individuals or \$11,200 for family. The limits are indexed annually by the IRS.</p> <p>For 2009, the minimum annual deductible is \$1,150 for individuals or \$2,300 for family coverage. The annual out-of-pocket maximums cannot exceed \$5,800 for individuals or \$11,600 for family.</p>
2. How does an HSA work?	<p>HSAs work in conjunction your high deductible health plan. All contributions made to an HSA account under the maximum annual contribution limits are 100% tax-deductible. You can use your tax-deferred dollars to pay for out-of-pocket medical expenses until you meet your deductible, and your health plan pays for expenses in excess of the deductible amount. You can also use the funds to pay for medical expenses not covered under your health plan, such as dental, vision and alternative medical expenses. Optionally, you can pay for your medical expenses out-of-pocket and let the balance of your HSA account grow tax deferred.</p>
3. What are some advantages of the HSA?	<p>HSAs can help you invest for future health care expenses. The money deposited in HSAs can be used for:</p> <ul style="list-style-type: none"> ■ services not covered by a future health plan, ■ medical expenses during periods of unemployment, ■ medical expenses during retirement, ■ insurance coverage after Medicare entitlement (except Medigap), ■ out-of-pocket expenses for Medicare, and ■ qualified long-term care expenses.
4. Why should I establish an HSA?	<p>Tax-advantages: Contributions, earnings or withdrawals for qualified medical expenses are tax free.</p> <p>Flexible: Contributions can accumulate and remain with you. The funds in the account can be used for non-medical expenses. However, distributions made for any non-medical expenses are subject to taxes plus a 10% penalty, if you are under the age of 65. (The 10% penalty does not apply if the distribution occurs after disability or death.)</p> <p>Portable: You can take your plan and contributions with you if you change employers or retire.</p> <p>Future Health Expenses: Contributions can accumulate tax-free and be used for future qualified medical expenses.</p>

*Please note that on HSA HMOs the total funding limit is restricted to the In-Network deductible and not the Out-of-Network deductible.

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5. How does a HRA (Health Reimbursement Arrangement) work?	First, your employer sets up the HRA, determines the amount of money available in each employee's HRA for the coverage period and establishes the types of expenses the funds can be used for. Deductible, coinsurance and copayment information for claims processed under your health care and prescription drug program (if you have a combined medical and prescription drug deductible) will automatically be transferred to your HRA for reimbursement to you if you use CareFirst's Fund Administrator. However, if you choose another Administrator, you will have to submit reimbursement claims to the Fund Administrator.
6.a. How do I receive reimbursement from my HRA?	Deductible, coinsurance and copayment information for claims processed under your health care and your Prescription Drug Program (if you have a combined medical and prescription drug deductible) will automatically be transferred to your HRA for reimbursement to you. For eligible expenses that are not covered under your health care and Prescription Drug Program, you can submit a claim for reimbursement under your HRA.
6.b. Do you impose a minimum before a distribution can be submitted or reimbursed (e.g., \$25)?	For an HRA, weekly reimbursement checks are subject to a minimum of \$25. Once the \$25 minimum amount is reached, a check will be issued, unless it is the end of a plan year, in which case, a check below \$25 will be issued.
7. How are HSA funds distributed?	<p>The most common way to access funds is with a debit card. When you incur an expense, you can make payments directly from your HSA with an HSA debit card. In addition, you can also use your account checkbook.</p> <p>Payment for Medical Services or Products:</p> <ul style="list-style-type: none"> ■ You request medical services or products from your provider. ■ Your provider will send the claim to CareFirst. ■ CareFirst ensures you receive negotiated provider discounts. ■ CareFirst uses employer or insurance funds for eligible preventive services and/or amounts over the deductible, as applicable. ■ CareFirst sends an "explanation of payment" and partial payment to your provider. ■ You use a fund check or debit card for payment of any remaining balance. <p>For payment of prescription drugs (if you have a combined medical and prescription drug deductible):</p> <ul style="list-style-type: none"> ■ You request a prescription drug from a pharmacy. ■ The pharmacy submits a claim to ARGUS, CareFirst's pharmacy claims processor. ■ ARGUS verifies eligibility and checks the status of your deductible. ■ ARGUS advises the pharmacy to collect the required amount. ■ You use the fund debit card or check for payment directly to the pharmacy at the time of purchase. ■ The prescription deductible, copayment and/or coinsurance amounts are automatically transmitted to CareFirst to appropriately apply towards your combined deductible and out-of-pocket maximums. <p>For payment of eligible healthcare expenses purchased without using the fund debit card or checks at the time of purchase:</p> <ul style="list-style-type: none"> ■ You receive and pay for the eligible healthcare service or product. ■ You are reimbursed using a fund check, naming yourself as the payee, and made out for the purchase price of the service or product.
8. What is the difference between a HRA and a Flexible Spending Account (FSA)?	Both HRAs and FSAs allow an individual to pay medical bills with pre-tax dollars. HRAs are employer funded, which means your employer determines the amount of money that goes into an HRA account. Flexible Spending Accounts (FSA) are employee-funded, which means you determine the amount of money that you will contribute towards your FSA. The funds are generally deducted from your payroll check. One key difference, however, is that HRA funds may be eligible for roll over from year to year (determined by your employer), while flex-plan money left unspent at the end of the year is forfeited.

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9.a. Can an HSA account holder designate a beneficiary?	During enrollment and opening the account, the account holder will have the option of completing a Beneficiary Designation form.
9.b. Who can be selected as a beneficiary?	The account holder can list one or more primary beneficiaries indicating the percentage that should be provided to each in the event of death.
10. What is the definition of a qualified medical expense?	Qualified medical expenses include medical expenses as defined under Section 213(d) of the IRS code. Expenses include medically necessary services, amounts paid toward deductibles and coinsurance, glasses, dental, and prescription and non-prescription drugs. Generally, these include most medical expenses, including doctors' fees, hospital charges, prescription and nonprescription drugs, vision and dental care, qualified long-term-care insurance premiums and COBRA premiums (to continue coverage under a group plan after you leave a job). Refer to the IRS web site for a complete list of 213(d) expenses at http://www.irs.gov/pub/irs-pdf/p502.pdf . Please note that a qualified medical expense is only applicable for HSA.



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