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# CHOOSE A PLAN

## HSA-QUALIFIED DEDUCTIBLE HMO PLANS

What a deductible plan with an HSA option is and how it works



### IN THIS BROCHURE

- Understanding HSAs (health savings accounts)
- Benefit highlights
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- The HSA difference

# Good health is an investment in life.

## Save for future expenses with an HSA-qualified deductible HMO 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 HMO plans, designed for people who want to take charge of their health care costs, may be right for you. When you enroll in 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 and coinsurance.<sup>1</sup>

## How an HSA-qualified plan works

With one of our HSA-qualified plans—the \$2,000 HSA-Qualified Deductible HMO Plan (80%)—you pay full charge for certain services until you reach your deductible, and then you're eligible to pay coinsurance for covered services. With our other five HSA-qualified plans, once you reach your deductible, there is no charge for covered services for the rest of the year.

You can save money with HSA-qualified deductible plans because you can pay for qualified medical expenses—even those not covered by your health plan—with tax-deductible dollars from your HSA. However, qualified expenses not covered by your health plan will not contribute toward your deductible or out-of-pocket maximum.

All you have to do is:

- Enroll in 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.<sup>2</sup>

## 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.

<sup>1</sup>Tax references relate to federal income tax only. The tax treatment of health savings account contributions and distributions under state income tax laws differs from the federal tax treatment. Consult with your financial or tax adviser for more information.

<sup>2</sup>Earnings vary depending on the type of investment plan you opt for and/or the HSA provider you choose. Amount earned is based on the investment plan and market value, and in some instances, the account may actually lose money.

## What are qualified medical expenses?

You can use an HSA to pay for deductibles, 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](http://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.<sup>1</sup> 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](http://wellsfargo.com/hsa).

<sup>1</sup>Kaiser Permanente does not provide or administer financial products, including HSAs, and does not offer financial, tax, or investment advice. Members are responsible for their own investment decisions. If a member uses his or her HSA debit card to pay for something other than a qualified medical expense, the expenditure is subject to tax and, for individuals who are not disabled or over 65, a 10 percent tax penalty. Please note that when Wells Fargo Health Benefit Services pays disbursements, it does not monitor whether they are for qualified medical expenses. It is the member's responsibility to determine whether expenses qualify for tax-free reimbursement from his or her HSA. For information about a Wells Fargo HSA, please contact Wells Fargo at 1-866-890-8308.

# Benefit highlights

	\$2,000 HSA-QUALIFIED DEDUCTIBLE HMO PLAN (80%)	\$2,000 HSA-QUALIFIED DEDUCTIBLE HMO PLAN (100%)	\$2,500 HSA-QUALIFIED DEDUCTIBLE HMO PLAN (100%)
<b>Features</b>			
Individual plan annual deductible (subscriber only) <sup>1</sup>	\$2,000		\$2,500
Family plan annual deductible (individual/family) <sup>1,2</sup>	\$4,000/\$4,000		\$5,000/\$5,000
Individual plan annual out-of-pocket maximum (subscriber only)	\$5,000	\$2,000	\$2,500
Family plan annual out-of-pocket maximum (individual/family) <sup>2</sup>	\$10,000/\$10,000	\$4,000/\$4,000	\$5,000/\$5,000
Lifetime benefit maximum	None		
<b>Benefits</b>			
Services not subject to deductible unless otherwise indicated			
<b>Preventive care</b>			
Immunizations	No charge		
Adult preventive care exam	No charge		
Well-child visit	No charge		
Well-woman visit	No charge		
Adult preventive care screening	No charge		
Colorectal cancer screening	No charge		
<b>Outpatient services (per visit or procedure)</b>			
Primary care/Specialty care office visit	20% coinsurance (after deductible)	No charge (after deductible)	
Ambulatory surgery	20% coinsurance (after deductible)	No charge (after deductible)	
Diagnostic lab	20% coinsurance (after deductible)	No charge (after deductible)	
Therapeutic and diagnostic X-ray	20% coinsurance (after deductible)	No charge (after deductible)	
<b>Inpatient hospital care</b>			
Hospital care and professional visits	20% coinsurance (after deductible)	No charge (after deductible)	
<b>Maternity</b>			
Prenatal care/Delivery and inpatient well-baby care	Not covered		
<b>Emergency and urgent care</b>			
Emergency room visit (waived if admitted)	20% coinsurance (after deductible)	No charge (after deductible)	
Nonroutine care	20% coinsurance (after deductible)	No charge (after deductible)	
After-hours care	20% coinsurance (after deductible)	No charge (after deductible)	
Ambulance service	20% coinsurance (after deductible)	No charge (after deductible)	
<b>Prescription drugs</b>			
Pharmacy (up to a 30-day supply) <sup>3</sup>	Not covered	No charge (after deductible)	
Mail-order (up to a 90-day supply) <sup>3</sup>	Not covered	No charge (after deductible)	

<sup>1</sup>In HSA-qualified deductible HMO plans, the deductible does apply to the out-of-pocket maximum.

<sup>2</sup>For family memberships in an HSA-qualified deductible HMO plan, the individual deductible and out-of-pocket maximum do not apply. The family deductible and out-of-pocket maximum can be met by a combination of family members.

<sup>3</sup>See the *Membership Agreement* for specific details.

	\$3,000 HSA-QUALIFIED DEDUCTIBLE HMO PLAN (100%)	\$4,000 HSA-QUALIFIED DEDUCTIBLE HMO PLAN (100%)	\$5,000 HSA-QUALIFIED DEDUCTIBLE HMO PLAN (100%)
<b>Features</b>			
Individual plan annual deductible (subscriber only) <sup>1</sup>	\$3,000	\$4,000	\$5,000
Family plan annual deductible (individual/family) <sup>1,2</sup>	\$6,000/\$6,000	\$8,000/\$8,000	\$10,000/\$10,000
Individual plan annual out-of-pocket maximum (subscriber only)	\$3,000	\$4,000	\$5,000
Family plan annual out-of-pocket maximum (individual/family) <sup>2</sup>	\$6,000/\$6,000	\$8,000/\$8,000	\$10,000/\$10,000
Lifetime benefit maximum	None		
<b>Benefits</b>			
Services not subject to deductible unless otherwise indicated			
<b>Preventive care</b>			
Immunizations	No charge		
Adult preventive care exam	No charge		
Well-child visit	No charge		
Well-woman visit	No charge		
Adult preventive care screening	No charge		
Colorectal cancer screening	No charge		
<b>Outpatient services (per visit or procedure)</b>			
Primary care/Specialty care office visit	No charge (after deductible)		
Ambulatory surgery	No charge (after deductible)		
Diagnostic lab	No charge (after deductible)		
Therapeutic and diagnostic X-ray	No charge (after deductible)		
<b>Inpatient hospital care</b>			
Hospital care and professional visits	No charge (after deductible)		
<b>Maternity</b>			
Prenatal care/Delivery and inpatient well-baby care	Not covered		
<b>Emergency and urgent care</b>			
Emergency room visit (waived if admitted)	No charge (after deductible)		
Nonroutine care	No charge (after deductible)		
After-hours care	No charge (after deductible)		
Ambulance service	No charge (after deductible)		
<b>Prescription drugs</b>			
Pharmacy (up to a 30-day supply) <sup>3</sup>	No charge (after deductible)		
Mail-order (up to a 90-day supply) <sup>3</sup>	No charge (after deductible)		

This is only a summary. For more detailed information, refer to the *Health Benefit Plan Description Form*, which you may obtain by calling 1-800-634-4579. Once you become a member, you will receive your *Membership Agreement*, which can be used to determine the exact terms and conditions of your coverage.

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## Meet the Howards

Vera and Joe Howard are in their early 50s.<sup>1</sup> 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 \$2,500 HSA-Qualified Deductible HMO Plan (100%).

- **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.<sup>2,3</sup> 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 \$5,000 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 also no charge 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 \$5,000 (their deductible) from their HSA.



- **Meeting the OOPM:** Because the Howards have an HSA-qualified plan, their \$5,000 deductible applies toward their out-of-pocket maximum (OOPM), which is also \$5,000. Once they meet their deductible, they simultaneously meet their OOPM, so neither of them has to pay anything for covered medical expenses for the rest of the year.
- **Tax savings:** They only pay \$5,000 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 \$1,150 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.

<sup>1</sup>This example is for illustrative purposes only. Individual situations will vary depending on the specifics of the health care plan.

<sup>2</sup>For 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. For more information, please consult your financial or tax adviser.

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

# The HSA difference

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

	DEDUCTIBLE PLANS	HSA-QUALIFIED PLANS
<b>Deductibles</b>	Traditional deductible plans with <b>family coverage</b> 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 <b>family of two or more</b> , 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 coinsurance or no charge for covered services for the rest of the year.  Both deductible and HSA-qualified plans have individual deductibles for people with <b>individual coverage</b> .
<b>Out-of-pocket maximums (OOPMs)</b>	Traditional deductible plans with <b>family coverage</b> 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.  The deductible does not apply to the OOPM.	For a <b>family of two or more</b> , the family out-of-pocket maximum applies to your entire family. Each family member's expenses (including deductibles 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 <b>individual coverage</b> .  The deductible does apply to the OOPM.
<b>HSA</b>	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.
<b>Tax savings</b>	You pay for medical expenses with taxed income.	Money you deposit into your HSA is deductible from your federal income tax.

For more detailed information about how plan types work, please consult your *Membership Agreement*, which you will receive upon acceptance.

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