



MANAGE HEALTH CARE CHOICES AND EXPENSES

The EmblemHealth Consumer Direct Program



EmblemHealth[®]
WHAT CARE FEELS LIKE.

There's an alternative for people who want to take charge of their health care expenses. With the EmblemHealth ConsumerDirect Program, employees may lower their premiums and save money in a tax-advantaged savings account that can be used to pay for current and future medical expenses not covered by their insurance plan.



Employees can manage their health care expenses today and save for their future.

With the EmblemHealth ConsumerDirect Program, employees:

Get solid benefits at a lower premium cost. With the EmblemHealth ConsumerDirect Program, employees are protected in the event of catastrophic medical expenses by an insured High-Deductible Health Plan (HDHP) that covers a wide range of medical services and provides first-dollar coverage for preventive care. Although employees pay a higher deductible to get the lower premium, they are eligible to set up a Health Savings Account that enables them to pay for those medical expenses with tax-free dollars.

Take control of health care decisions. Employees decide whether they want to use money in an HSA to pay for current qualified medical expenses, including expenses insurance may not cover, or, to save the money in the account for possible future needs. What's more, employees will have access to tools that will help them be a more alert health care consumer. The more informed people are about healthy lifestyle choices and the more active they are in researching lower cost alternatives, the more money they'll be able to save in their HSA.

Save for the future with triple-tax advantages. The Health Savings Account is one of the best long-term savings accounts available for health expenses after retirement. Contributions are tax free. Withdrawals for qualified medical expenses are tax free. And the money accumulated in the HSA earns interest tax free. When employees retire, they may use that money tax free for medical expenses, long-term care and Medicare premiums.

Own an HSA like a 401(k). Because employees own their Health Savings Account, funds remain in the account from year to year, without a use it or lose it rule. Ownership also means employees can take it with them if they change jobs or medical coverage, become unemployed, move to another state or change their marital status.

Fund an HSA with the premium dollars saved. Employees may be saving premium dollars with the high-deductible plan. Contribute those savings to a Health Savings Account up to the maximum allowable amount. Employees can apply that money toward medical expenses while they satisfy their deductible. Any money not used in a given year rolls over to the next year.

Take care of your employees and your bottom line.

Here's how the EmblemHealth ConsumerDirect Program can benefit you as an employer:

Lowered costs for a quality health benefits program. The EmblemHealth ConsumerDirect Program offers a number of opportunities for cost savings, starting with lower insurance premium costs paid by employers and employees for the insured High-Deductible Health Plan (HDHP) component of the program. Long term, this type of plan empowers employees to be more conscientious about their health and health costs, ultimately reducing your benefit costs. In addition, there are payroll tax savings based on the fact that the pretax dollars employees contribute to their HSA accounts decrease payroll taxes.

Increased employee satisfaction. Once employees understand that their HSA account is like a 401(k), many will appreciate the opportunity for tax-advantaged savings and increased control of their expenses. Some employers choose to increase employee satisfaction even more by sharing some of their insurance savings as a contribution to their employees' HSA accounts.

Empowered employees make health-conscious choices.

The EmblemHealth ConsumerDirect Program provides employees with incentives to make healthier lifestyle choices. The financial incentive is clear: Since employees own their HSA accounts and unused money rolls over each year, employees learn that by staying healthy, they can save more money. When it comes to health care, knowledge is power! Investing in employee health is also good for business — healthier employees mean fewer sick days and a stronger bottom

Health insurance costs have been rising at significant rates, and the trend is expected to continue. Many employers who are committed to providing health care coverage are looking for ways to bridge the gap between what their employees want and what the company can afford. An EmblemHealth HSA-compatible plan is an innovative way to offer employees quality benefits. It's a plan that can reduce your insurance costs while providing a new kind of savings account for employees.

See the U.S. Treasury Department and IRS guidelines on the maximum contribution levels for Health Savings Accounts (HSAs), the maximum out-of-pocket expenses for HSA-compatible High-Deductible Health Plans (HDHPs), and the minimum annual deductibles for HDHPs. These amounts are indexed for cost-of-living adjustments each year.

The EmblemHealth ConsumerDirect Program: HDHP + HSA Work Hand in Hand

HDHP — High-Deductible Health Plans

Participation in the EmblemHealth ConsumerDirect Program begins with signing up for one of our High-Deductible Health Plans (HDHPs). Once an employee has an HSA (Health Savings Account), they can use money from that account to pay for health care expenses, including coinsurance and copays, before the HDHP deductible is met.

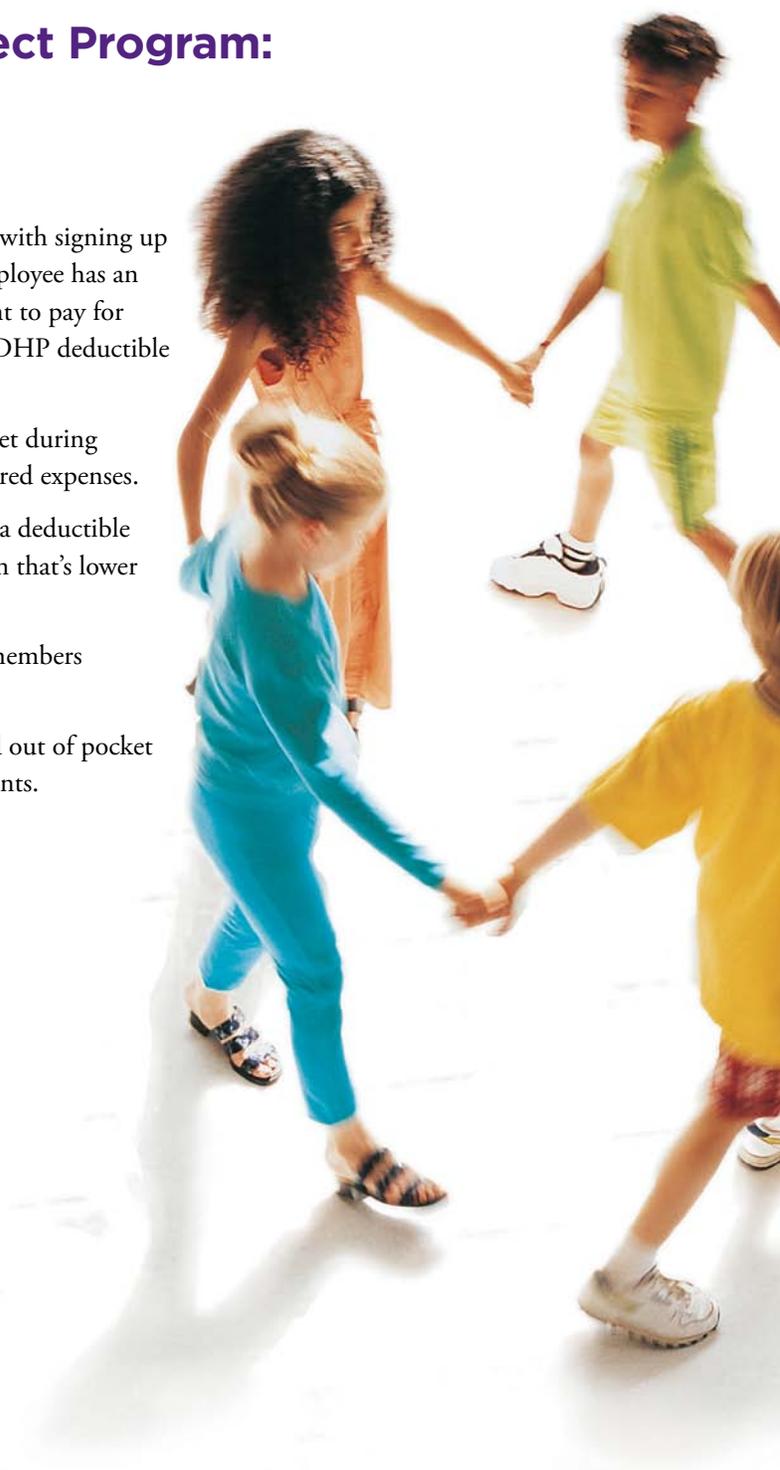
Deductible — The amount of money the employee paid out of pocket during the plan year before EmblemHealth begins to pay for some or all covered expenses.

High-Deductible Health Plans — Plans like ConsumerDirect have a deductible amount that's greater than traditional plans in exchange for a premium that's lower than traditional plans.

Coinsurance — A fixed percentage of the cost of a provider service members must pay once they satisfy their deductible.

Out-of-Pocket Maximum — The cap on the amount of money paid out of pocket during the plan year, including deductibles, coinsurance and copayments.

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HSA — Health Savings Account

A Health Savings Account (HSA) is a bank account that members can put money into to save for future medical expenses tax free. HSAs are a lot like 401(k) accounts, except that a 401(k) is a general retirement account. An HSA is specifically designated for health care expenses.

Who Is Eligible — Any adult who has an HSA-compatible High-Deductible Health Plan (HDHP) can contribute to a Health Savings Account as long as they have no other primary medical coverage, are not enrolled in Medicare and are not being claimed as a dependent on someone else's tax return.

Where the HSA Account Is — Banks, credit unions, insurance companies and other financial institutions are permitted to be custodians for Health Savings Accounts.

How Much Can Be Contributed — Once the HDHP insurance is effective, employees can contribute to their HSA any time during the year, any amount they choose up to the annual maximum allowable by law.

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Frequently Asked Questions About High-Deductible Health Plans

Decision Points

Why should an employer offer an HSA plan?

Offering HSAs increases the likelihood that employees will choose High-Deductible Health Plans — which cost less for employers to provide — because they offer a way to contribute, save and pay for health care on a tax-free basis. HSAs allow employers to offer employees a valuable tax-sheltered form of compensation at a low cost.

Why would offering an HSA be a good choice for my business and for my employees?

If you answer yes to the following questions, you should seriously consider offering an HSA:

- Do you have a fairly low turnover among your workforce?
- Do you have a large number of highly compensated employees?
- Are you looking for less expensive health care plan options?
- Are you interested in motivating your employees to take a more active role in their health care, decision-making and funding?
- Are you willing to help educate employees about HSAs and consumer-directed health care in general?
- Are you looking for ways to help fund retiree medical coverage?
- Do you already offer Medical Savings Accounts (MSAs)?

Why should I choose EmblemHealth for my HDHP plan?

When you choose an EmblemHealth HDHP/HSA plan, you get all the advantages and special features you expect from EmblemHealth. These include:

- Premium rates that are among the lowest in the industry — significantly less than standard PPO and EPO programs.
- Access to EmblemHealth's large national network, with over a million participating provider sites, and many of the "Top Doctors" listed in *New York* magazine, and virtually every acute care hospital in New York State.
- Unique flexibility with our shared deductible feature.
- An Employee Assistance Program (EAP), health and wellness programs and value-added discount programs included at no additional cost.

Support From EmblemHealth

Who can we contact for questions before or after enrollment?

Employers may contact their broker or EmblemHealth sales representative if they have any questions concerning the HDHP/HSA product.

What support is available to employees?

Once an employee registers online, he or she can log onto EmblemHealth's secure member site at www.emblemhealth.com to track claims activity. From there, click on "You've Got the Power!" on the lower left-hand side to monitor HSA activity through HealthEquity and conduct transactions and order new debit cards. If you are setting up an HSA through another administrator, check with that administrator for the available tools.

Members make the health care choices that are right for them!

Preventive Care Is Covered 100 Percent

A ConsumerDirect HDHP covers in-network preventive care services on a first-dollar basis. That means routine physicals, screenings and immunizations — from mammograms to gynecological exams and well-baby care — are not subject to the plan's deductible, coinsurance or copays.

Payments — In AND Out of Network — May All Count Toward the Deductibles

With our ConsumerDirect PPO plan, members have both in-network and out-of-network deductibles. Covered medical, hospital and pharmacy claims count toward the deductible.

Medical Costs, Including Pharmaceuticals, Count Toward the Deductible

Members pay the EmblemHealth discounted cost for their prescriptions only up to the deductible. After the deductible is met, they may have to pay a small copay, which applies to the out-of-pocket maximum. EmblemHealth has an extensive network of pharmacies serving members.

Protection From Catastrophic Costs With Our Out-of-Pocket Maximum

In traditional plans, copayments rarely count toward the out-of-pocket maximum. In a ConsumerDirect HDHP, everything counts toward the out-of-pocket maximum — including copays, coinsurance and deductibles. This cap helps protect members in the event of a catastrophic health event like a long-term illness.

To offset the HDHP deductible and other out-of-pocket costs, members pay a lower premium. For the ConsumerDirect HSA-compatible plan to work effectively and provide the maximum benefit, it's important that the Health Savings Account is adequately funded. That's why we say these two programs work hand in hand.



Employees can save for future medical expenses and pay for qualified expenses tax free!

The Power of Triple Tax-Advantaged Savings

Favorable tax treatment is a key benefit of HSA plans.

- **HSA contributions are tax free.** If employees use payroll deductions to contribute to their account, pretax dollars are used. If they make a contribution using after-tax dollars, their contribution is 100 percent tax deductible.
- **Withdrawals are tax free.** When HSA money is used for qualified medical expenses, withdrawals are tax free.
- **Earnings are tax free.** Money earned in an HSA — whether from interest, dividends or investments — is tax free.

The Power of Ownership

As the owner of a Health Savings Account:

- **Funds roll over each year.** If employees don't use all the money in their HSA, it carries over to the next year. They don't use it or lose it.
- **An HSA account is portable.** Employees keep their account when they change jobs or retire. In the event of an employee's death, the HSA will go to their designated beneficiary.
- **Employees control their account.** Employees decide whether to use funds to pay for current health care expenses, how much they want to contribute (up to the applicable limits) and whether to invest money in the account and how much.

The Power of Knowledge

The best way to accumulate money in an HSA is to stay healthy. EmblemHealth provides resources to help employees make healthier lifestyle choices and be more alert health care consumers. Programs like our *Nurse Advice Line* and *Healthy Discounts* (for discounts on fitness clubs and more) support healthy lifestyles, while the EmblemHealth Web site is an encyclopedic source that links to current health information.

Using a Health Savings Account For Qualified Expenses

Employees may use the money in their HSA for any qualified medical expense, as allowed by the IRS. This includes most medical care and services, dental and vision care and over-the-counter drugs prescribed by a doctor. If employees use HSA money for anything other than qualified expenses, that money will be included in the employee's gross income and subject

to an additional tax of 20%. Employees can use their HSA money for:

- **Medical deductibles.** Employees may choose to pay for medical expenses before reaching their plan's deductible — including but not limited to doctors' visits, hospital expenses, lab, X-ray and other diagnostic services, prescription drugs, over-the-counter drugs prescribed by a doctor, hearing aids and wheelchairs.
- **For certain specific insurance premiums.** Use HSA money for COBRA continuation, Medicare and Medicare Advantage (for individuals age 65 and older), long-term care, dental and vision care and any premium while on federal unemployment.
- **For employees and their families.** HSA money can be used for the employee, his or her spouse and dependent children, even if they're not covered by the HDHP.

Employees can obtain a detailed list of qualified expenses in IRS Publication 502 online at www.irs.gov under forms and publications or by calling **1-800-829-3676**.

Making Contributions

- **The employee, the employer, a family member** or any combination of these can contribute to an HSA up to the annual limit.
- **Contributions can be made through payroll deductions** in a lump sum or periodically at any time during the year up to the mandated limit.
- **The deadline for contributions** is April 15 of the year following the contribution year.
- **There's no minimum contribution required.**

Withdrawing Funds for Medical Expenses

Once employees establish their HSA, they can choose how to pay for qualified medical expenses.

- **A debit card or checkbook from HealthEquity.** Employees will receive a checkbook for their HSA and a debit card.
- **Employees out of their own pocket.** Employees may choose to pay some medical expenses in order to keep more money in the HSA and grow that tax-advantaged money for future medical expenses. Paying out of pocket still counts toward the HDHP deductible.

Get going now to get the EmblemHealth ConsumerDirect Program.

With all the obvious advantages of HSAs, it's no wonder that this type of consumer-directed health plan has become a popular choice for employers and employees alike. EmblemHealth's ConsumerDirect Program gives employers and employees access to superior plans and some of the most competitive rates in the industry.

Getting started is easy.

Employers: To get going, get in touch with your broker

Once you decide to sign up for an EmblemHealth ConsumerDirect HSA-compatible plan, you can count on EmblemHealth to provide you with the support you need to maximize participation and minimize your administrative burden. Review the PPO and EPO HDHP options with your broker and select the deductible that's right for you and your employees. Once employees enrolled in one of our qualified HDHPs, you can count on EmblemHealth for:

- Online education and instruction.
- Sign-up kits and welcome packages.
- Powerful management and member tools.

Employees: To get going, get enrolled and start an HSA Account

Once employees have decided an EmblemHealth HSA-compatible plan is right for them, they should follow these steps to get started:

- Sign up for an HDHP insurance plan.
- Complete the HSA account application.
- After employees enroll, they'll receive their HSA checkbook and debit card.
- Fund the Health Savings Account to the current allowable maximum to make the most of tax-advantaged savings and get the maximum protection.





Consumer Power

EmblemHealth is committed to providing affordable, quality health care in ways that respect and respond to members' fundamental needs. GHI, an EmblemHealth company, offers the ConsumerDirect High-Deductible Health Program (HDHP), which has become a popular choice among our members. Not only do these plans give employees more control over their health care decisions, they cost less than other health care options.

The EmblemHealth ConsumerDirect Program consists of two parts that work hand in hand — a qualified high-deductible health plan, with a higher than traditional deductible and lower premium costs, plus a separate savings account, the HSA (Health Savings Account). Employees own their HSA, pay lower premiums and save money in a tax-advantaged account that they can use to pay for qualified medical expenses not covered by their HDHP.

With EmblemHealth, members can also enjoy discounts on products and services that promote good health. Plus, anytime they need information about their personal health benefits, or to find a network doctor or specialist, simply visit our Web site, **emblemhealth.com**.

EmblemHealth ConsumerDirect plans are underwritten by Group Health Insurance (GHI). Refer to policy form numbers PLH-SGC-997, PLH-SGC-1000, et al.

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