

# HOW DEDUCTIBLE PLANS WORK



Deductible plans generally offer lower monthly premiums in exchange for higher out-of-pocket payments for covered services.

With these plans, you pay full charge for most covered services until your expenses meet an annual deductible. Then, for covered services, you pay a copayment or coinsurance.

## DEDUCTIBLES

Under a deductible plan, many covered services are subject to the **deductible**—the **set amount** for which you pay full charge in a calendar year.

This means you'll pay full charge for certain medical services until you reach your annual deductible. Of course, an exception to the deductible requirement is preventive care.

## NO DEDUCTIBLE FOR MANY SERVICES

With most of our deductible plans, many services, such as primary and specialty care visits, urgent care, and prescription drugs, are available for a copayment before you meet your deductible.

**And to encourage you to receive preventive care, these services are available for no charge before you meet your deductible.**

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# USING A DEDUCTIBLE PLAN

Let's say you injure your ankle and visit your primary care physician, who orders an X-ray. It's just a sprain, so the doctor prescribes a generic pain medication.

On the Deductible 30/1500 plan, you have to pay \$1,500 out of pocket before you are eligible to pay a copay or coinsurance for most covered services.

In this example, if you have not met your deductible, you would pay a \$30 copayment (or copay) for the doctor's office visit and a \$10 copay for the generic drug, because these services are not subject to the deductible under this plan.

However, you would pay full charge for the X-ray. And the amount you pay for the X-ray would be applied to your \$1,500 annual deductible. (After you meet your deductible, you would pay a \$10 copay for the X-ray.)

Visit the treatment fee tool at [kp.org/treatmentestimates](https://kp.org/treatmentestimates) to estimate your out-of-pocket costs for upcoming services.

## THE HSA DIFFERENCE

Some of our deductible plans are HSA-qualified deductible plans. These plans can be paired with an optional health savings account, or HSA. HSA-qualified plans work similarly to traditional deductible plans with just a few differences:

- If you're eligible, you can open an HSA with an HSA-qualified plan.
- Money you deposit into your HSA is deductible from your federal income tax.
- You can use funds from your HSA to pay for qualified medical expenses.

Tax savings relate to federal income tax only. For more information, please consult your financial or tax adviser. To learn more about health savings accounts, visit [www.irs.gov/publications/p969/ar02.html](https://www.irs.gov/publications/p969/ar02.html).

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# BENEFIT HIGHLIGHTS

	DEDUCTIBLE PLANS		
	20/500	25/1000	30/1500
<b>FEATURES</b>			
Annual deductible	\$500	\$1,000	\$1,500
Annual out-of-pocket maximum	\$2,500	\$3,000	\$3,500
<b>BENEFITS</b> Services not subject to deductible unless otherwise indicated			
<b>PREVENTIVE CARE</b>			
Many preventive care services, such as routine physical exams and mammogram screenings, are no charge from the first day of coverage.			
<b>OUTPATIENT SERVICES</b> (per visit or procedure)			
Primary care/Specialty office visit	\$20 copay	\$25 copay	\$30 copay
Most X-rays and lab tests	\$10 copay (after deductible)		
MRI, CT, and PET	\$10 copay (after deductible)	\$50 copay (after deductible)	
Outpatient surgery	\$50 copay (after deductible)	\$150 copay (after deductible)	\$250 copay (after deductible)
<b>INPATIENT HOSPITAL CARE</b>			
Room and board, surgery, anesthesia, X-rays, lab tests, and medications	\$100 copay per day (after deductible)	\$250 copay per day (after deductible)	\$500 copay per day (after deductible)
<b>MATERNITY</b>			
Routine prenatal care visit	No charge		
Delivery and inpatient well-baby care	\$100 copay per day (after deductible)	\$250 copay per day (after deductible)	\$500 copay per day (after deductible)
<b>EMERGENCY AND URGENT CARE</b>			
Emergency Department visit (waived if admitted)	\$100 copay (after deductible)		\$150 copay (after deductible)
Urgent care visit	\$20 copay	\$25 copay	\$30 copay
Ambulance service	\$150 copay (after deductible)		
<b>PRESCRIPTION DRUGS<sup>1</sup></b>			
Plan pharmacy (up to a 30-day supply)	Generic: \$10 copay Brand: \$35 copay		
Mail-order (up to a 100-day supply)	Generic: \$20 copay Brand: \$70 copay		

Benefits are for effective dates July 1, 2012, through December 15, 2012, and are subject to change.

This is a summary of the most frequently asked-about benefits and their copayments and coinsurance. For more information on benefits, copayments, and coinsurance, please refer to the *Disclosure Form*. Detailed information about your plan is in the *Membership Agreement*, which will be mailed to you upon acceptance or upon request. To request a copy of the *Membership Agreement* for a particular plan, please call us at 1-800-634-4579 or contact your broker. For services subject to a deductible, you will have to pay health care expenses out of pocket until you meet your deductible.

<sup>1</sup>Prescribed contraceptives are no charge.

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# BENEFIT HIGHLIGHTS

	DEDUCTIBLE PLANS	
	40/2000	40/3000
<b>FEATURES</b>		
Annual deductible	\$2,000	\$3,000
Annual out-of-pocket maximum	\$4,000	\$6,000
<b>BENEFITS</b> Services not subject to deductible unless otherwise indicated		
<b>PREVENTIVE CARE</b>		
Many preventive care services, such as routine physical exams and mammogram screenings, are no charge from the first day of coverage.		
<b>OUTPATIENT SERVICES</b> (per visit or procedure)		
Primary care/Specialty office visit	\$40 copay	
Most X-rays and lab tests	\$10 copay (after deductible)	
MRI, CT, and PET	\$50 copay (after deductible)	\$150 copay (after deductible)
Outpatient surgery	\$250 copay (after deductible)	20% coinsurance (after deductible)
<b>INPATIENT HOSPITAL CARE</b>		
Room and board, surgery, anesthesia, X-rays, lab tests, and medications	\$500 copay per day (after deductible)	20% coinsurance (after deductible)
<b>MATERNITY</b>		
Routine prenatal care visit	No charge	
Delivery and inpatient well-baby care	\$500 copay per day (after deductible)	20% coinsurance (after deductible)
<b>EMERGENCY AND URGENT CARE</b>		
Emergency Department visit (waived if admitted)	\$150 copay (after deductible)	\$200 copay (after deductible)
Urgent care visit	\$40 copay	
Ambulance service	\$150 copay (after deductible)	
<b>PRESCRIPTION DRUGS<sup>1</sup></b>		
Plan pharmacy (up to a 30-day supply)	Generic: \$10 copay Brand: \$35 copay	Generic: \$10 copay/Brand: \$35 copay (after \$250 brand deductible)
Mail-order (up to a 100-day supply)	Generic: \$20 copay Brand: \$70 copay	Generic: \$20 copay/Brand: \$70 copay (after \$250 brand deductible)

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# HOW HSA-QUALIFIED DEDUCTIBLE PLANS WORK



An HSA-qualified plan is a deductible plan that is eligible to be paired with an optional health savings account, or HSA. If you sign up for an HSA-qualified plan and open an HSA, you can pay for qualified medical expenses with tax-deductible dollars.<sup>1</sup>

An HSA-qualified plan works much like a traditional deductible plan. You pay full charges for certain covered services out of pocket until you reach your deductible, and then you're eligible to pay coinsurance or copayments for covered services. The main difference is that you can save money with HSA-qualified plans. This is because you can pay for qualified medical expenses—even those not covered by your health plan—with tax-deductible dollars. However, qualified expenses not covered by your health plan will not contribute to your deductible or out-of-pocket maximum.

All you have to do is:

- Sign up for an HSA-qualified health plan.
- If you are eligible, open a health savings account.
- Contribute tax-deductible dollars to this account.<sup>2</sup>
- 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>3</sup>

## ADVANTAGES OF OPENING AN HSA

- **Portability.** The money belongs to you, so if you change health plans, you can take your HSA with you.
- **Rollover of unused funds.** 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.<sup>3</sup>
- **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>For 2012, the federally established maximum contribution for an eligible individual with self-only coverage is \$3,100. This annual maximum is indexed annually for inflation. Tax savings refer to federal income tax only. For more information, please consult your financial or tax adviser.

<sup>3</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.

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# USING A HEALTH SAVINGS ACCOUNT

## WHAT ARE QUALIFIED MEDICAL EXPENSES?

You can use an HSA to pay for deductibles, copays, 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:

- Eyeglasses and laser eye surgery
- Dental 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.

You may set up your HSA through any financial institution that offers these accounts.<sup>1</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

## USING AN HSA-QUALIFIED DEDUCTIBLE PLAN

Let's say you injure your ankle and visit your primary care physician, who orders an X-ray. It's just a sprain, so the doctor prescribes a generic pain medication.

With our HSA-qualified plans, **all covered services other than preventive care are subject to your deductible.**

On the Deductible 30/2700 with HSA plan, you would pay the first \$2,700 of your medical and pharmacy expenses out of pocket. Then you would be eligible to pay a \$30 copay or 30 percent coinsurance for most covered services.

In this example, you would pay full charge for the doctor's office visit, the X-ray, and the medication. All your out-of-pocket costs for covered services would be applied to your \$2,700 deductible.

And, if you opened an HSA, you would be able to pay for these services with tax-free dollars. (Tax savings relate to federal income tax only. For more information, please consult your financial or tax adviser. For more information on health savings accounts, please visit [www.irs.gov/publications/p969/ar02.html](http://www.irs.gov/publications/p969/ar02.html).)

<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 20 percent tax penalty. Please note that when an HSA provider 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.

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# BENEFIT HIGHLIGHTS

	HSA-QUALIFIED DEDUCTIBLE PLANS		
	0/1500 WITH HSA	0/2700 WITH HSA	30/2700 WITH HSA
<b>FEATURES</b>			
Annual deductible	\$1,500	\$2,700	
Annual out-of-pocket-maximum	\$3,000	\$5,000	\$5,250
<b>BENEFITS</b> Services not subject to deductible unless otherwise indicated			
<b>PREVENTIVE CARE</b>			
Many preventive care services, such as routine physical exams and mammogram screenings, are no charge from the first day of coverage.			
<b>OUTPATIENT SERVICES</b> (per visit or procedure)			
Primary care/Specialty office visit	No charge (after deductible)		\$30 copay (after deductible)
Most X-rays and lab tests	\$10 copay (after deductible)		
MRI, CT, and PET	\$50 copay (after deductible)		
Outpatient surgery	\$150 copay (after deductible)	\$200 copay (after deductible)	30% coinsurance (after deductible)
<b>INPATIENT HOSPITAL CARE</b>			
Room and board, surgery, anesthesia, X-rays, lab tests, and medications	\$300 copay per day (after deductible)	\$400 copay per day (after deductible)	30% coinsurance (after deductible)
<b>MATERNITY</b>			
Routine prenatal care visit	No charge		
Delivery and inpatient well-baby care	\$300 copay per day (after deductible)	\$400 copay per day (after deductible)	30% coinsurance (after deductible)
<b>EMERGENCY AND URGENT CARE</b>			
Emergency Department visit (waived if admitted)	\$100 copay (after deductible)		30% coinsurance (after deductible)
Urgent care visit	No charge (after deductible)		\$30 copay (after deductible)
Ambulance service	\$100 copay (after deductible)		
<b>PRESCRIPTION DRUGS<sup>1</sup></b>			
Plan pharmacy (up to a 30-day supply)	Generic: \$10 copay/Brand: \$35 copay (after deductible)		Not covered
Mail-order (up to a 100-day supply)	Generic: \$20 copay/Brand: \$70 copay (after deductible)		Not covered

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# BENEFIT HIGHLIGHTS

	HSA-QUALIFIED DEDUCTIBLE PLANS	
	40/4000 WITH HSA	50/5000 WITH HSA
<b>FEATURES</b>		
Annual deductible	\$4,000	\$5,000
Annual out-of-pocket maximum	\$5,600	\$6,000
<b>BENEFITS</b> <span style="float: right;">Services not subject to deductible unless otherwise indicated</span>		
<b>PREVENTIVE CARE</b>		
Many preventive care services, such as routine physical exams and mammogram screenings, are no charge from the first day of coverage.		
<b>OUTPATIENT SERVICES</b> (per visit or procedure)		
Primary care/Specialty office visit	\$40 copay (after deductible)	\$50 copay (after deductible)
Most X-rays and lab tests	\$10 copay (after deductible)	
MRI, CT, and PET	\$150 copay (after deductible)	
Outpatient surgery	30% coinsurance (after deductible)	
<b>INPATIENT HOSPITAL CARE</b>		
Room and board, surgery, anesthesia, X-rays, lab tests, and medications	30% coinsurance (after deductible)	
<b>MATERNITY</b>		
Routine prenatal care visit	No charge	
Delivery and inpatient well-baby care	30% coinsurance (after deductible)	
<b>EMERGENCY AND URGENT CARE</b>		
Emergency Department visit (waived if admitted)	30% coinsurance (after deductible)	
Urgent care visit	\$40 copay (after deductible)	\$50 copay (after deductible)
Ambulance service	\$150 copay (after deductible)	
<b>PRESCRIPTION DRUGS<sup>1</sup></b>		
Plan pharmacy (up to a 30-day supply)	Generic: \$10 copay/Brand: \$35 copay (after deductible)	Not covered
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