

2006

REAL SAVINGS. REAL SIMPLE.

Blue OPTIONS HSASM

A high deductible health plan
with lower premiums

- Health savings account for
out-of-pocket expenses

- Tax advantages



Innovative health care designed around you.SM | bcbsnc.com



BlueCross BlueShield
of North Carolina

Blue OPTIONS HSASM

HIGH DEDUCTIBLE
HEALTH PLAN



HEALTH SAVINGS
ACCOUNT

HOW YOU SAVE

WHAT IS BLUE OPTIONS HSA?

BLUE OPTIONS HSA IS A NEW WAY TO PAY FOR HEALTH CARE

Blue Options HSASM pairs our most popular type of health plan, the PPO, with a health savings account (HSA). It's a tax-free way to help pay for current or future out-of-pocket health care expenses. To be eligible to open a health savings account (HSA) and begin saving money for medical expenses tax-free, you must be covered by an IRS-qualified high deductible health plan (HDHP) such as Blue Options HSA. High deductible health plans have lower premiums than traditional plans so you will save money immediately.

A TAX-FREE SAVINGS ACCOUNT FOR MEDICAL EXPENSES

With Blue Options HSA we automatically include a tax-free savings account for medical expenses. You can make tax-deductible contributions to your HSA (in one lump sum or throughout the year) up to the allowable limits. Each year, as your HSA balance grows, it accrues interest tax-free, and any qualified payments made from it are also tax-free.

ACCOUNT BALANCE ROLLS OVER AND CAN BE INVESTED

Funds that are not used in a given year roll over into the next year and belong to you. Additionally, HSA funds can be invested to save for future medical expenses or even retirement.

A HIGH DEDUCTIBLE HEALTH PLAN MEANS LOWER PREMIUMS

OUR LARGE NETWORK OF PHYSICIANS AND HOSPITALS = MORE SAVINGS

TAX SAVINGS NOW AND IN THE FUTURE

HOW THE HSA WORKS

BEFORE MEETING YOUR DEDUCTIBLE

You can start using your HSA funds immediately – even before you meet your deductible! Until you reach your deductible, you will be responsible for the total cost of any care you receive; however, you will still receive our discounted rate when you visit a participating provider. You can choose to use your HSA debit card or checkbook to pay the doctor directly. Or, you can save your HSA money for future expenses.

You can also use HSA funds to pay for qualified medical expenses not covered by your health plan, like over-the-counter medications or LASIK eye surgery. For a complete list of covered expenses, visit us online at bcbsnc.com.

**Enroll today! Call your local
BCBSNC authorized agent
for more information.**

AFTER MEETING YOUR DEDUCTIBLE

Once you've met your deductible, your health care benefits begin. You can still use any remaining HSA funds to pay your share of expenses (coinsurance) for covered benefits. And, you'll still receive our discounted rate when you visit participating providers.

ENHANCED PREVENTIVE CARE

With Blue Options HSA, **you're covered for certain preventive care services before you've met your deductible**. Just visit your provider as you normally would and show your BCBSNC ID card. You can keep yourself healthy through a variety of preventive procedures including:

- + Annual physical exam
- + Annual OB/GYN exam
- + Annual pap smear
- + Mammography & prostate screening
- + Standard immunizations

CONVENIENCE - YOU GET A HEALTH PLAN AND HSA ALL IN ONE

24/7 ONLINE ACCOUNT MANAGEMENT

HSA FUNDS ARE EASY TO ACCESS



WHY IT'S SIMPLE



WHAT REAL SAVINGS MEANS

LOWER PREMIUMS

Blue Options HSA pairs an IRS-qualified high deductible health plan with a health savings account. High deductible health plans have lower premiums than traditional health plans so you will save money immediately.

- + Savings start immediately
- + Save up to 50% on premiums¹

OUR LARGE NETWORK LOWERS YOUR COSTS

Blue Options HSA offers our largest network of doctors and hospitals (and the freedom to go outside that network for care). You save money because our large network minimizes out-of-network claims. And, with the Blue Cross and Blue Shield Association's BlueCard® network, you're covered wherever you go across the U.S. and in more than 200 countries and territories worldwide.²

- + In- and out-of-network benefits
- + Our largest network
- + Access to specialists without referrals³
- + Worldwide coverage²

DISCOUNTED PROVIDER RATES

We've negotiated competitively discounted rates with our providers to ensure savings for you. Even if you haven't met your deductible, you will still save money just by visiting providers in our large network. With a high deductible health plan, our provider discounts matter now more than ever.

- + You'll never pay full price for covered services in-network
- + Save even before meeting your deductible

PICK THE PLAN THAT'S RIGHT FOR YOU

Affordable health coverage doesn't have to limit choices. With Blue Options HSA, you choose the plan that fits your budget. You'll select the deductible and coinsurance amounts that work best for you. You'll also decide the amount that's right for you to contribute to your HSA.

- + Match your plan to what you need
- + Choose how much to contribute to your HSA

TRIPLE TAX SAVINGS

With Blue Options HSA you can make tax-deductible contributions to the HSA up to the allowed annual limits permitted by Federal guidelines. Each year, as your HSA balance grows, it accrues interest tax-free and any qualified payments made from it are also tax-free.

- + Tax-deductible HSA contributions
- + Tax-free HSA payments
- + Tax-free HSA interest

SAVE NOW, SAVE LATER

HSAs can be used to pay for current medical expenses, as well as save for future medical expenses, on a tax-free basis. HSA funds can be rolled over from year to year and can grow in value over time. Additionally, you can put aside pre-tax dollars for long-term care, future medical expenses or retirement. Whenever the balance in your account exceeds a specific amount, you may elect to invest contributions in a selection of Dreyfus mutual funds⁴, subject to any minimum investment amount required by such funds. HSAs offer another way to invest in your future tax-free.

- + HSA balance rolls over year-to-year
- + Save for future medical expenses or retirement⁵
- + Long-term investment options



OUR BLUE OPTIONS HSA PLANS

High deductible health plans mean more premium savings for you.

| | In-network | Out-of-network |
|-----------------------------------|--|---|
| Single deductible | \$1,100, \$2,000, \$2,700, \$5,000 | \$2,200, \$4,000, \$5,400, \$10,000 |
| Family aggregate deductibles | \$2,200, \$4,000, \$5,450, \$10,000 | \$4,400, \$8,000, \$10,900, \$20,000 |
| Coinsurance* | 100% 80% (Not available with \$5,000 individual or \$10,000 family deductible plans) 50% (Not available with \$5,000 individual or \$10,000 family deductible plans) | 70% 50% (Not available with \$5,000 individual or \$10,000 family deductible plans) 50% (Not available with \$5,000 individual or \$10,000 family deductible plans) |
| Single out-of-pocket maximum | \$1,100 - \$5,000 Dependent on selected combination of deductible and coinsurance | \$3,450 - \$11,250 Dependent on selected combination of deductible and coinsurance |
| Family out-of-pocket maximum | \$2,200 - \$10,000 Dependent on selected combination of deductible and coinsurance | \$6,900 - \$22,500 Dependent on selected combination of deductible and coinsurance |
| Enhanced preventive care** | Covered at 100%. Your deductible is waived. | |
| Prescription drugs | Prescription drugs will count toward your deductible, coinsurance and out-of-pocket maximum. | |

* Your actual expenses for covered services may exceed the stated coinsurance percentage or copayment amount because actual provider charges may not be used to determine the payment obligation for BCBSNC and its members.

** Includes routine physical exam, well-baby and well-child care and certain immunizations and screenings. Other covered services may be subject to deductible and coinsurance.

NOTE: Some benefit features are only available with certain plan combinations.

SAVE MONEY WITH BLUE OPTIONS HSA

AN INVESTMENT ACCOUNT

As your HSA grows and earns interest over time, you can accumulate valuable savings that you can use for your health care or for retirement.

| Individual contribution | 5 years | 10 years | 15 years | 20 years |
|-------------------------|----------|----------|----------|----------|
| \$420 per year | \$2,366 | \$5,244 | \$8,746 | \$13,007 |
| \$840 per year | \$4,732 | \$10,489 | \$17,493 | \$26,014 |
| Family contribution | 5 years | 10 years | 15 years | 20 years |
| \$1,350 per year | \$7,605 | \$16,857 | \$28,113 | \$41,808 |
| \$2,700 per year | \$15,209 | \$33,713 | \$56,226 | \$83,617 |

Source: "Communicating CDHC to Employees", National Association of Health Underwriters, 2004. Assumes 4% compounded interest.

Take charge of your health with these programs and tools available free to BCBSNC members...

BlueEXTRASSM

- Vitamins and supplements up to 40% off
- Up to 25% off weight management programs
- Earn free prizes for being physically active
- Discounts on alternative medicine, laser eye surgery, hearing aids and more!⁶

DECISION SUPPORT TOOLS

- Make sense of your health care costs
- 24/7 health information resource
- Find the hospital that's right for you
- Learn about your drug treatment options

MEMBER HEALTH PARTNERSHIPSSM

Free, confidential programs for:

- Asthma
- Diabetes
- Fibromyalgia
- Pregnancy
- Heart Disease
- Migraines
- Multiple Sclerosis
- And much more!

Enroll today! Call your local BCBSNC authorized agent for more information.





WHAT REAL SIMPLE MEANS

A HEALTH PLAN AND AN HSA ALL IN ONE

With our **simple application process**, you get a health plan combined with an HSA. You don't have to worry about separate applications. Plus, we've made it simple for you to manage your account online. Advantages to Blue Options HSA include:

- + HSA automatically included
- + *My HSA Account* - online account management
- + Multiple HSA funding options
- + Dedicated account service
- + Contribution tracking and monthly statements

HSA FUNDS ARE EASY TO ACCESS

With Blue Options HSA, contributions are placed into a FDIC-insured checking account through the Mellon HSA Solution^{SM2,7}. When you use your HSA funds, you will have multiple options for easily paying your claims, including an HSA checkbook and/or debit card. There is no need to file a claim for covered expenses.

- + Convenient payment options
- + No need to file a claim for covered expenses

DEBIT CARD FOR HSA EXPENSES

Your Mellon HSA debit card allows you to conveniently pay for eligible health care expenses and eliminates the need to pay up front, submit a claim and be reimbursed. You can also write your debit card number on the bill that you return to your doctor.

24/7 ONLINE ACCOUNT MANAGEMENT

We've made Blue Options HSA easy to use. Through our **My HSA Account** tool, we bring together health plan and fund account information into one easy-to-use online resource. You can manage your health plan and your health fund in one place. You can check the status of a claim, review payment and claims history, and more. You'll know what health care services you've received and what health funds are available to you.

- + Manage HSA and health plan in one secure online location
- + Check claim status, payment history and more!

HSA CALCULATOR AT bcbsnc.com

Contact your local agent to access our HSA Calculator, an online tool that can help you determine the maximum amount that can be contributed to your HSA each calendar year. Our Web site is also full of valuable health information that can assist you in making decisions about your care.

DECISION SUPPORT TOOLS

Use our online Decision Support Tools as you take a more active role in planning for the cost of your care. They can help you estimate the cost of numerous health care services and prescription drugs. They also enable you to compare hospitals and research valuable health information.

- + Health Care Cost Estimator^{SM1} – Understand your health care costs
- + PharmaAdvisorTM – Find the drug that's right for you
- + Hospital Comparison Tool – Find the hospital that's right for you
- + Health Line BlueSM – 24 hour health information resource

**Enroll today! Call your local
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for more information.**



USING YOUR HSA

With Blue Options HSA, you don't have to worry about your health care being complicated. You visit your health care provider like you normally would, and you can use your HSA funds to pay for your out-of-pocket expenses.

| | | | |
|--|---|--|---|
| Contributing to your Blue Options HSA | John purchases a Blue Options HSA with a \$4,000 family deductible and makes a \$1,000 tax-deductible contribution to his HSA. | John's HSA contribution \$1,000 | BENEFIT: Because HSA contributions are tax-deductible, more of your dollars go toward your health care expenses. |
| Visiting the doctor | John, or any covered person in his family, visits a Blue Options health care provider. The provider will file a claim for him. | Office visit (actual cost) \$200 | BENEFIT: Our large network minimizes out-of-network claims. That translates into savings. |
| The claims process | BCBSNC will process the claim, taking into account negotiated fees with the doctor as well as how much John has met towards his deductible. Once the claim has been processed, BCBSNC will send information to John and his doctor. | Office visit (BCBSNC negotiated rate – the amount John owes.) \$125 | BENEFIT: The strong provider discounts we've negotiated across our large networks mean you'll never pay full price for covered services. |
| Paying the claim | John's doctor will bill him for his share of the cost. Since he has not met his deductible, he is responsible for \$125. John pays the doctor \$125 directly with his HSA debit card or checkbook. | Doctor bills John \$125 John's HSA payment -\$125 | BENEFIT: With Blue Options HSA, you have simple and convenient options for paying your claims. |
| The remaining HSA funds | John's HSA balance is now \$875. He can continue to contribute to his HSA up to the allowed annual maximum, and his balance will continue to grow throughout the year and beyond. | John's HSA balance =\$875 + Interest | BENEFIT: Your HSA funds can be used tax-free for a variety of eligible expenses including deductibles, over-the-counter medications and more. |

ENROLL TODAY! CONTACT YOUR LOCAL BCBSNC AGENT

Here are a few things to keep in mind before you apply:

- 1 To be eligible for Blue Options HSA coverage, you must be a North Carolina resident between the ages of 18 and 64, who qualifies medically. You must not be covered by another health insurance policy or be claimed as a dependent on someone else's tax return. Additionally, you cannot be enrolled in Medicare.
- 2 Allow at least 30 days for processing. You can choose for your coverage effective date to be the 1st or 15th day of the month following the approval of your application. Some applicants may be required to have a simple paramedic examination. **If you need immediate coverage, contact your local agent to learn about a short-term policy from BCBSNC.**
- 3 Once your application is approved, we'll send you your Benefit Booklet and ID card to review. If you're not completely satisfied, simply notify BCBSNC within 10 days, and we'll refund your initial premium.

Figures are for illustrative purposes only. Actual plan designs, costs and contributions may vary. The provider may collect an estimated amount at the time of service.



Blue OPTIONS HSASM

Your coverage may be canceled by Blue Cross and Blue Shield of North Carolina for failure to pay premiums and for false statements on your application, among other reasons. Coverage for dependent children ends at age 26. Members will be notified 30 days in advance of any change in coverage. A waiting period for coverage of pre-existing conditions may apply to your coverage.⁸

This brochure contains a summary of benefits only. It is not your insurance policy. Your policy is your insurance contract. If there is any difference between this brochure and the policy, the provisions of the policy will control.

PLEASE NOTE: Federal guidelines and interpretations are subject to change.

Footnotes:

- 1 BCBSNC Internal data.
- 2 Blue Cross and Blue Shield Association Internal Data, 2005
- 3 Referrals may be needed for mental health and substance abuse services.
- 4 Prospectuses for the investments offered as part of the Mellon HSA Solution are available at www.dreyfus.com. Investors should consider the investment objectives, risks, charges and expenses of any Dreyfus fund carefully before investing.
- 5 Withdrawals are tax free only if used for qualified medical expenses. See IRS guidelines for specific regulations.
- 6 BCBSNC reserves the right to discontinue these programs at any time. All Blue Extras programs may not apply to all health plans.
- 7 BCBSNC does not administer your HSA. Your HSA custodian is Mellon Trust of New England, N.A. BCBSNC is not affiliated with your HSA custodian or administrator.
- 8 Pre-existing conditions are those for which medical advice, diagnosis, care or treatment was received or recommended within 12 months of the date that your Blue Options HSA coverage begins. You may receive credit toward the 12 month waiting period if we received your completed Blue Options HSA application within 63 days of the termination of your previous health coverage.

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LIMITATIONS & EXCLUSIONS

Like most health care plans, Blue Options HSA has some limitations and exclusions. When your application is approved, you will receive a benefit booklet. It will contain detailed information about plan benefits, exclusions and limitations.

This is a partial list of benefits that are not payable:

- Services for or related to conception by artificial means or for reversal of sterilization
- Treatment of sexual dysfunction not related to organic disease
- Treatment for transsexualism, sex changes or modifications including surgery
- Services that are investigational in nature
- Services for complications or side effects arising from excluded services, procedures or treatments
- Services that are not medically necessary
- Dental care except as provided in your benefit booklet
- Services or expenses that are covered by any governmental unit except as required by Federal law
- Services received from an employer-sponsored dental or medical department
- Services received or hospital stays before the effective date of coverage
- Custodial care, domiciliary care or rest cures
- Eyeglasses or contact lenses or refractive eye surgery
- Vision exams except for some diagnoses
- Services to correct nearsightedness or refractive errors; hearing aids, supplies, tinnitus maskers, or exams for hearing aids
- Services for cosmetic purposes
- Services for routine foot care
- Travel, except as specifically listed in the benefit booklet
- Services for weight control or reduction, except for morbid obesity, or as specifically covered by your health benefit plan
- Service for maternity or elective abortion except as provided by the maternity option if purchased
- Inpatient admissions that are primarily for physical therapy, diagnostic studies, or environmental change
- Services that are rendered by or on the direction of those other than doctors, hospitals, facility and professional providers; services that are in excess of the customary charge for services usually provided by one doctor when done by multiple doctors
- Services that are the result of war or while in military service
- Services for which a charge is not normally made in the absence of insurance, or services provided by an immediate relative
- Non-prescription drugs and prescription drugs or refills which exceed the maximum supply
- Personal hygiene, comfort and/or convenience items
- Telephone consultations; charges for failure to keep scheduled visits, for completion of any form, or for medical information required by the plan
- Services primarily for educational purposes
- Services for conditions related to developmental delay and/or learning differences
- Long-term rehabilitative therapy
- Services not specifically listed as covered services

