CareFirst BlueCross BlueShield

BlueFund
CONSUMER DIRECTED HEALTH PLANS

CDH Refresher

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Visual Presentation Only

CareFirst BlueCross BlueShield

Changes to BlueFund Fees

- Effective June 1 – HRA fees eliminated
- Effective August 1– Mellon Bank fees eliminated (set up and monthly fee only)
- Applicable to new and existing groups and members, turnkey

HSA Debit Cards Mailed Sooner

- Modified the delivery sequence of the debit card to mail after the data is loaded and approved by FlexAmerica.

- As a result of the Patriot Act, the debit card can only be used after it is activated and the free checks are mailed only after participants return the signature card mailed with the Welcome Kit
  - To expedite the activation process, members are encouraged (in the Welcome Kit) to activate the card online via e-signature
  - Checks and beneficiary information still needs to be mailed back to Mellon

New FlexAmerica Applications

- The FlexAmerica CDH master application has been improved based on broker feedback to simplify the installation process.
- Broken into 2 Applications – HRA/FSA and HSA/FSA
  - If group is choosing both HRA and HSA, both applications need submitted
  - HSA applications includes employer form for payroll deductions
  - New template on broker portal for groups to use to capture Employee payroll deductions – for group use only
  - Includes fees for HRA
  - Added special notes re LLC, S-Corps and HRA and HSA
- Applications completed accurately will speed the set-up of BlueFund plans which improves the satisfaction with the plan in the critical early stages.

Web Enabling of Form in Discussion

Expedited HSA Funding for Employers

- Up front Employer contributions can now begin the process during the open enrollment stage
- Allows for quicker funding of the initial contributions to participants' bank accounts.
- Employer contributions can be detailed on initial contribution funding form (now included in the FlexAmerica Application)
- A check can be mailed to Mellon Bank after the master employer bank account number is provided to the HR staff by FlexAmerica.

ACH Funding for Employers

- FlexAmerica will initiate an ACH pull and push of funds.
- Employers enter banking information on FlexAmerica's funding portal.
- Employers enter contribution amounts.
- FlexAmerica will initiate an ACH pull from the employer's bank account within 1 business day.
- FlexAmerica will initiate an ACH push to Mellon Bank on the same day.
- Funds will be available to distribute within 24-48 hours.
- $100.00 fee for ACH bounces will be applied

Calendar Year - Interim Solution

Solution

- Offer July and August groups a short-plan year.
  - Groups will receive a pro-rated rate renewal that will end December 31, 2007.
  - Groups will be re-rated for a January effective date for a full twelve month period.
- Offer September, October, November and December groups an extended plan year
  - Groups will receive an extended rate renewal that will end December 31, 2008.
  - Groups will add CDH as an off-cycle benefit change on January 1, 2008.

Business Rules

- Groups of 51-199 are eligible for a short/extended plan year as long as there is a minimum enrollment of 50% in the CDH product.
- Groups with an extended plan year must select their CDH option at the time of renewal, even though it won't be added until January.
- Late submission of paperwork in December for these groups will not be accepted, no exceptions.

Important SOPs

BlueFund – FlexAmerica Application

- FlexAmerica Application must be completed and included with group paperwork
- Contact information - name and number - must be included and legible
- **Incomplete or illegible contact information can significantly slow down the enrollment process**

CDH and Renewing Groups

HSAs

- No change – no forms need to be completed
- Change in contribution – no forms need to be completed
- Stay in BlueFund but add new option - new FlexAmerica Application completed

HRAs

- FlexAmerica contacts group prior to renewal

CDH and Members that *Cannot* Have Funding

1. A member cannot have an HSA (contribute, contribute pre-tax, etc) if they:

- Are enrolled in Medicare
- Have health care coverage with a spouse that is not a HDHP
- Can be claimed as a dependent on another person's taxes
- Are 2% or more owner of an LLC, S-Corp, LLP (can only contribute post-tax)

2.For HRA, if they are 2% or more owner of an LLC, S-Corp, LLP:

- Cannot use company funds

Agreed Upon Change: Allow BlueFund and Compatible plans to be sold side by side; put members who cannot fund in Compatible plans. Must still use existing Blue Selections rules of no more than 3 plans for 1-50 and 4 plans for 51+

Medicare Enrollees

Scenario: Family/Two-Party Coverage, Spouse Enrolled in Medicare

- Spouse can remain enrolled in the health care coverage
- Subscriber can continue to contribute the family/two-party maximum amount into the HSA
- HSA funds can be used to pay for eligible expenses for all family members, including spouse enrolled in Medicare.

Scenario: Family/Two-Party Coverage, Subscriber Enrolled in Medicare

- Subscriber can remain enrolled in the health care coverage
- Subscriber can no longer contribute to HSA via BlueFund
- Subscriber will maintain HSA via BlueFund since funds are still available for eligible expenses
- Spouse could open an HSA in his/her name and contribute the family/two-party maximum amount into the HSA
- HSA funds can be used to pay for eligible expenses for all family members, including subscriber enrolled in Medicare.

Scenario: Individual Coverage, Subscriber Enrolled in Medicare

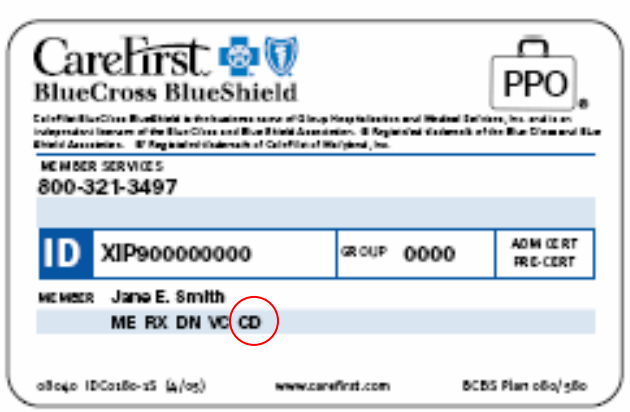
- Subscriber can remain enrolled in the healthcare coverage
- Subscriber can no longer contribute to HSA via BlueFund
- Subscriber will maintain HSA via BlueFund since funds are still available for eligible expenses
- HSA funds can be used to pay for eligible expenses for the subscriber enrolled in Medicare

SOP for Medicare Enrollees

- Subscriber or spouse with Medicare should remain in current benefits until Open Enrollment
- The Subscriber or spouse will not be allowed to change benefit options due to Medicare eligibility
- At Open Enrollment, subscriber can decide to change benefits if another health plan is offered by his/her employer
- When a subscriber enrolls in Medicare, the employer should suspend employer and/or employee payroll contributions to the HSA for this employee
- If a spouse enrolls in Medicare, the employer and employee can continue to contribute to the HSA
- FlexAmerica will continue to be paid for administration by CareFirst

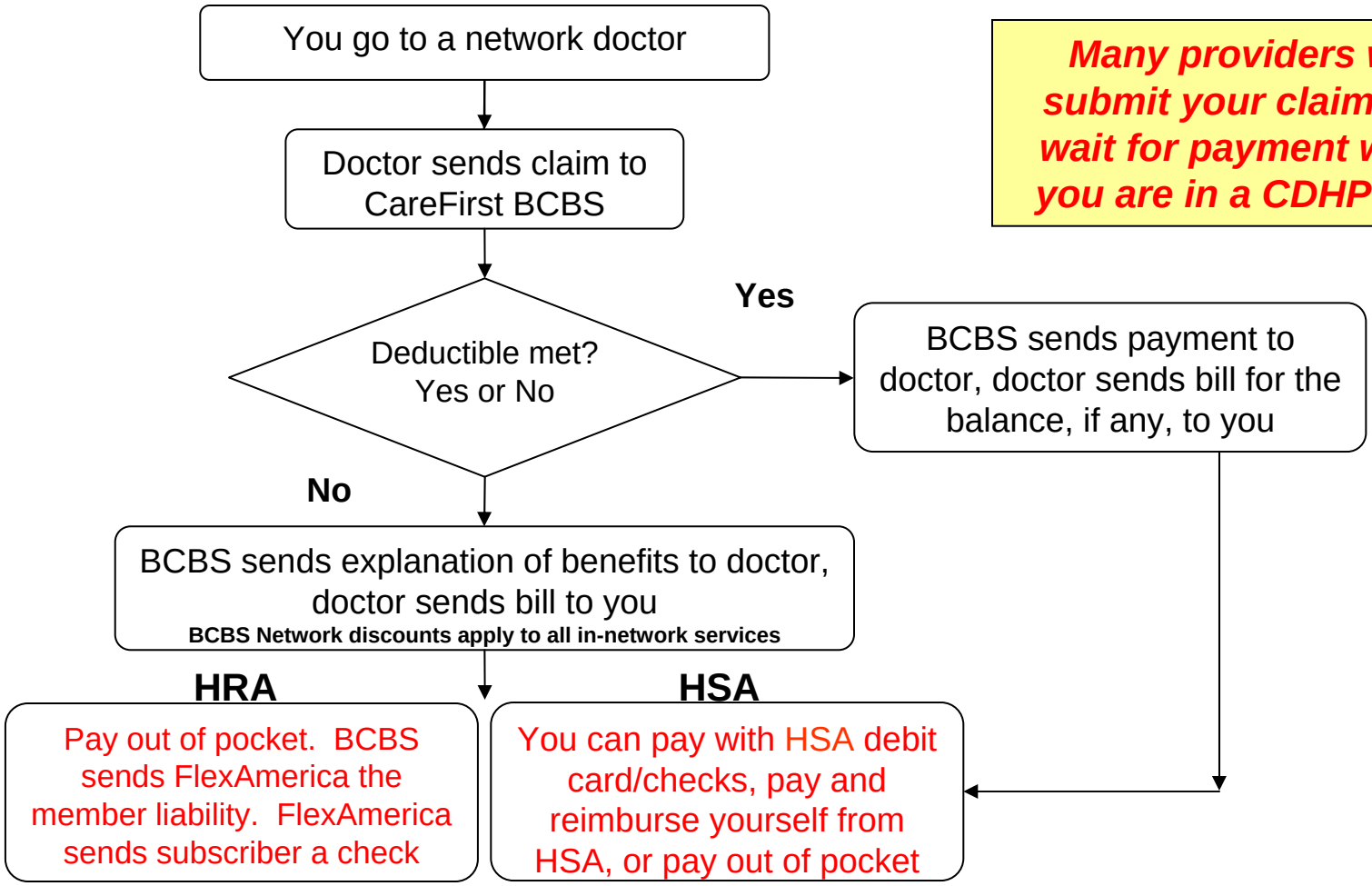
The Latest on ID Cards

- NASCO cards have capability to note deductible amounts -- it is up to the account
- Local Group and Individual CareFirst ID cards contain a “CD” on the card
  - CD = Combines Deductible



- By 4th Quarter 2007, the actual deductible amount will be to the ID cards for CDH members.

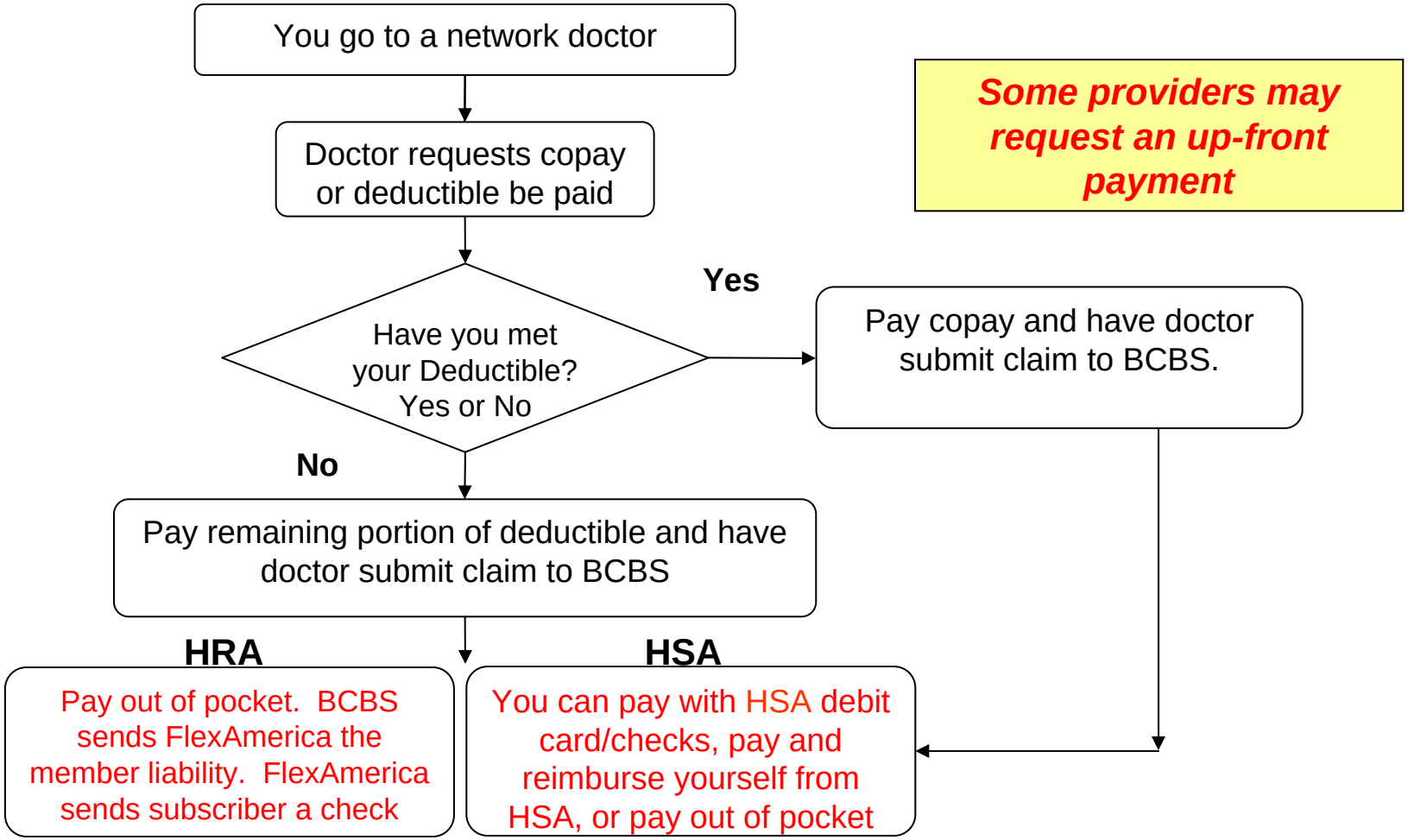
Medical Claims Process



Many providers will submit your claim and wait for payment when you are in a CDHP plan

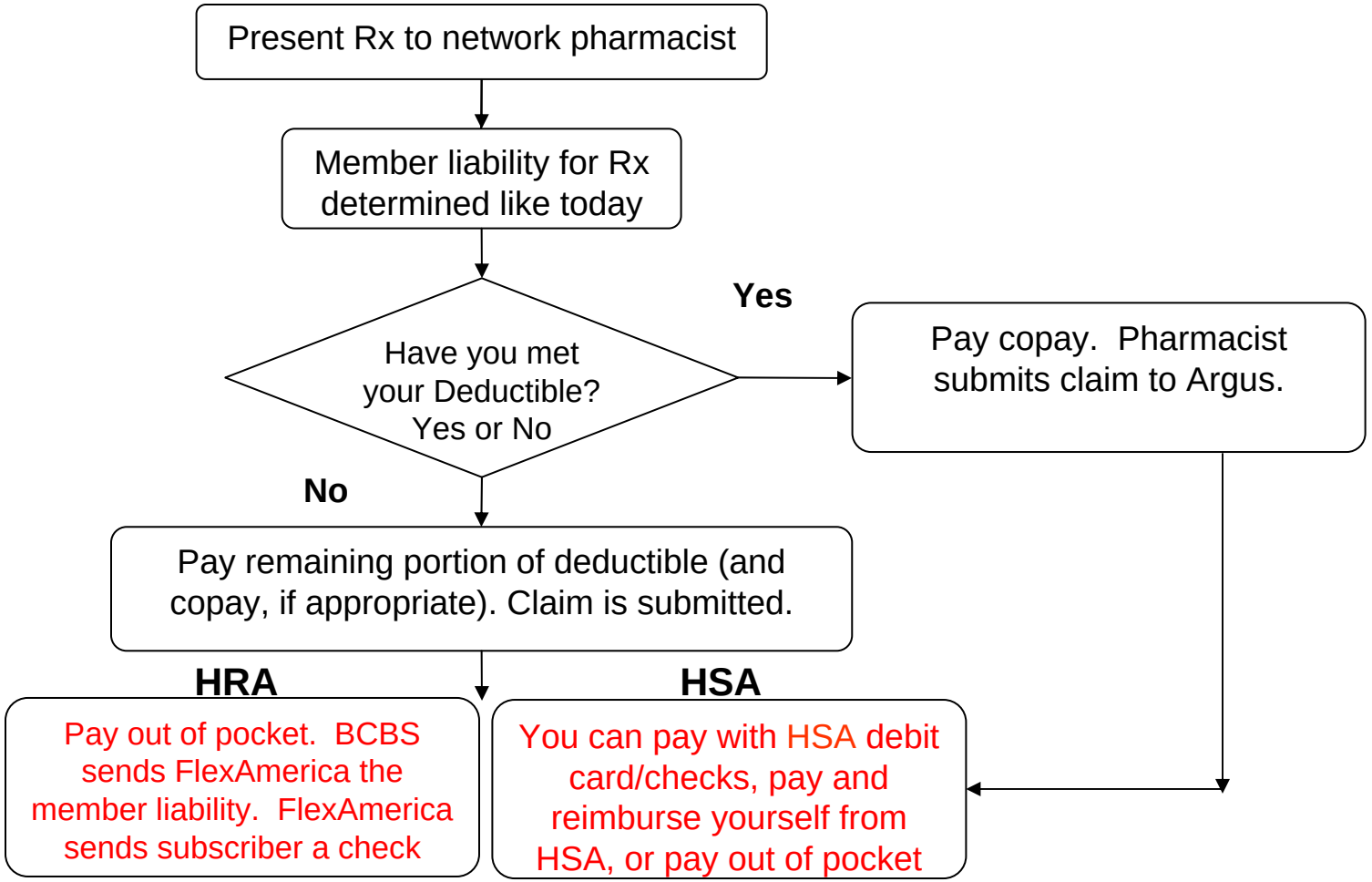
Most plans offer preventive services covered at 100% with no copay

Medical Claims Process



Practical approach: If doctor request payment up front, pay the copay shown on your ID card and let the claim be submitted to determine additional member liability, if any.

Rx Claims Process



Note: Claims submitted to Argus are coordinated with the CareFirst plan to determine when the deductible and out-of-pocket maximum are met

New Rules and Regulations

Improved HSA Rules for 2007

- Eliminates “lesser of” deductible and statutory limit rule by allowing HSA contributions up to the full statutory maximum - $2850 for Individual; $5650 for Two-Party/Family.
- Allows full-year contributions for individuals who enroll in a HDHP mid-year provided certain conditions are satisfied
- Allows one-time tax free rollover of Health FSA and/or HRA amounts to an HSA provided certain conditions are satisfied
- Allows one time tax free transfer of IRA funds to an HSA, provided certain conditions are satisfied
- Eliminates the negative impact of Health FSA grace period on HSA eligibility for a Health FSA participant that has a zero balance on the last day of plan year or who transfers entire balance by way of Qualified HSA Distribution

Exception to Pro-Rated Rule

- Prior Rule: Maximum contribution was "sum of monthly limits" based on # of months in plan
  - Example: Individual enrolled from July 1, 2007 through Dec. 31, 2007 with $2,700 ded.
  - Under old rule, individual may only contribute 6/12 of the deductible ($1,350)

- New Rule: Individual is treated as eligible for ENTIRE YEAR if eligible in December of that year and remains eligible through December of the next year.
  - Example: Individual enrolled from July 1, 2007 through Dec. 31, 2007 with $2,700 deductible may contribute $2,850 (as long as he remains eligible through Dec. 31, 2008).
  - If ceases to be eligible during that period, amounts attributable to months treated as eligible will be subject to tax.

New HRA/FSA Rollover…

- Prior Rule: HRA and/or Health FSA amounts could not be transferred to an HSA on a tax–free basis
- New Rule: EMPLOYER may make a one-time tax-free transfer of "applicable balance" to an HSA anytime before January 1, 2012
  - Applicable balance = lesser of balance as of 9/21/06 OR balance as of the date the transfer is made
  - NOT counted against maximum annual contribution amount ($2,850 or $5,650)
  - Subject to the 13 month testing period – you must stay in the HDHP

New IRA Rollover…

- Prior Rule: Individual Retirement Account (IRA) funds could not be transferred to HSA on tax-free basis

- New Rule: One-time tax-free transfer of IRA funds to HSA permitted (trustee-to-trustee)
  - Limited to maximum annual contribution amount ($2,850 or $5,650)

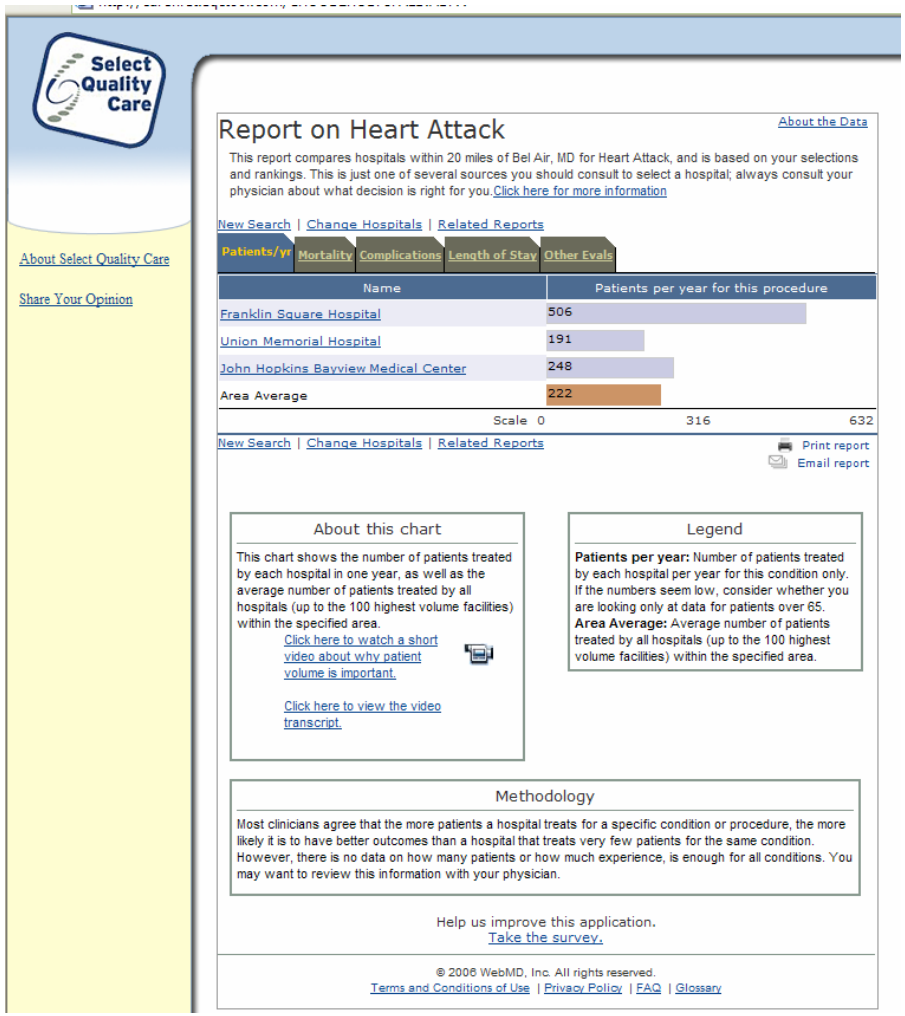
Zero Balance FSA Rule

- Prior Rule: If participant in general purpose FSA (w/grace period) on last day of plan year, participant is disqualified from HSA establishment until first day of first month following end of grace period, even w/ zero balance.

- New Rule: Grace period does not disqualify participant if individual has zero balance
  - They can spend down prior to end of year plan year
  - Make one time tax free rollover under new rules

Focus on the Online Experience

Hospital Comparison Tool -- Summary



At the end of the three-step search, the Member can view various topics such as patients per year, complications, mortality and length of stay to compare facilities.

Find it in My Account @ www.carefirst.com

Demo can be found on the member portal @ http://www.carefirst.com/membsvcs/redirects/HospitalComparisonToolDemo1.htm

Treatment Cost Estimator -- Summary

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Condition Cost by Medical Condition Category

Area: Baltimore
Condition Category: Pregnancy Related Conditions

An Episode of Care represents all services rendered during treatment for an instance of a disease or health condition, with its related circumstances.

Click on a condition to see details about the type of care and the setting where care is provided.

Condition	More Info	Range of Episode Length (Days) Low	High
Obstetric Signs and Symptoms	More Info	<1	<1
Pregnancy, Not Delivered	More Info	57	246
Normal Delivery without C-Section	More Info	6	215
Normal Delivery with C-Section	More Info	22	160
Complicated Delivery without C-Section	More Info	36	216
Complicated Delivery with C-Section	More Info	55	226
Ectopic Pregnancy Treatment without Surgery	More Info	16	49
Ectopic Pregnancy Surgery	More Info	3	39
Abortion	More Info	3	68

How Are These N

CONDITION COST BY TYPE OF CARE

Area: Baltimore
Condition Category: Pregnancy Related Conditions
Condition: Normal Delivery without C-Section

These types of care are commonly used to treat this condition:

Type of Care	% of times this type of care is used to treat this condition	Range of Cost per Episode Low	High
Inpatient Care	40%	$2,760.00	$3,609.00
Outpatient Care	81%	$27.00	$1,600.00
Medical Care	86%	$802.00	$2,111.00
Diagnostic Services	48%	$81.00	$257.00
Therapeutic Care	6%	$5.00	$94.00
Pharmacy Services	56%	$14.00	$88.00
Other	21%	$64.00	$146.00

How Are These Numbers Determined?

CONDITION COST BY SETTING

Find it @ My Account on www.carefirst.com*

***for CDH and FEP HMO members only**

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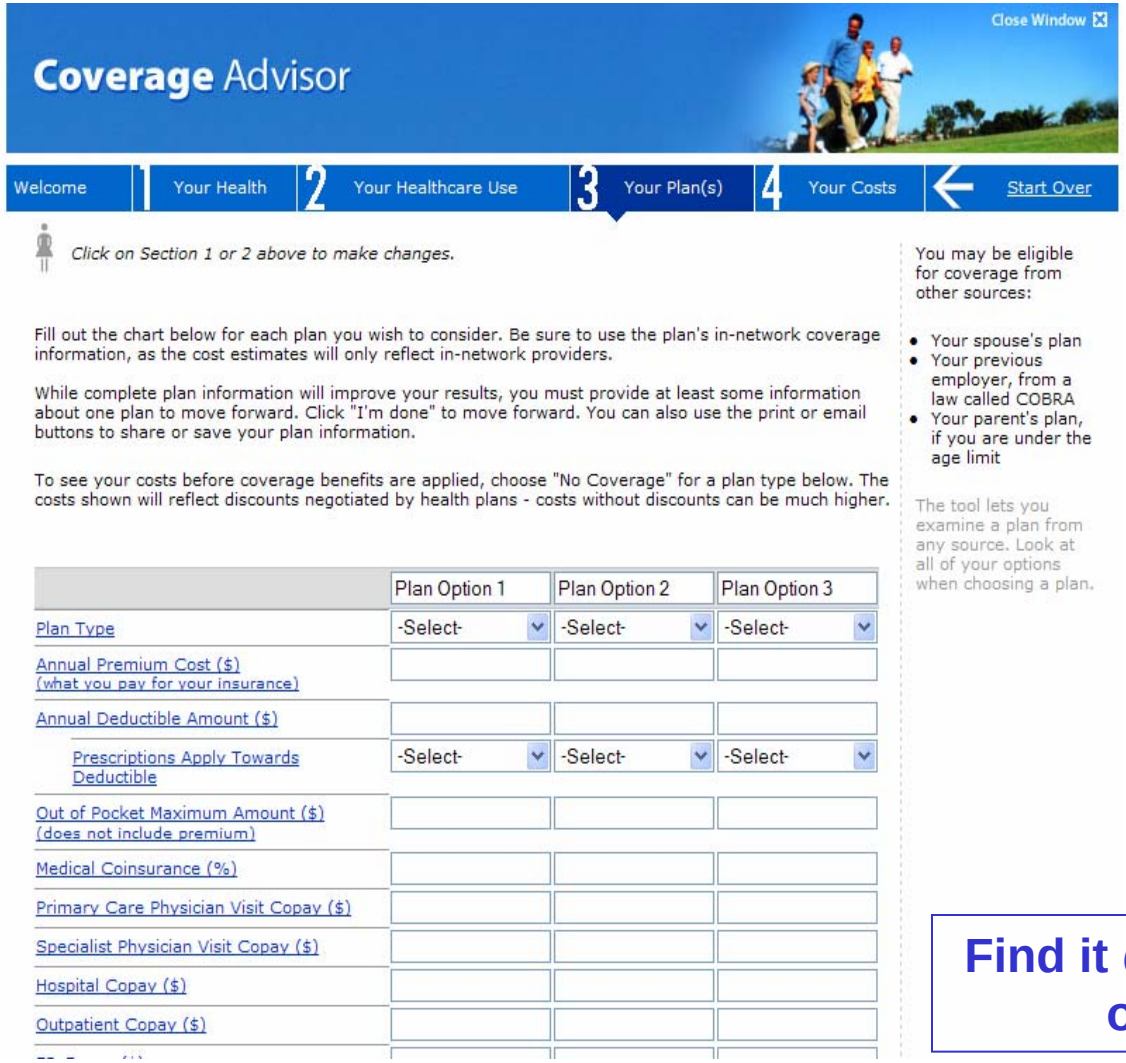
Coverage Advisor -- Summary



Powered by Subimo, the tool allows individuals to project health care service needs .

Out-of-pocket cost modeling allows users to compare out-of-pocket expenses under different benefit plans, allowing users to plan for their healthcare expenses and make educated decisions about benefit plan options

- **Uses data based on the experiences of over 50 million people across the country**

Find it @ Open Enrollment Central on www.carefirst.com

Summary

Remember This About BlueFund HSAs…

- Offers **MEMBERS financial control** over how they spend health care dollars
- Provides an interest-accruing **cash account**
- **Tax-free contributions, earnings** and **withdrawals** for qualified expenses
  - 2% Owners and their spouses of LLC and S-Corps can only fund HSA post-tax
- **No "use it or lose it provision"** like a Flexible Spending Account
- HSA is **available for all qualified medical expenses**, including traditional medical coverage, as well as eye glasses, dental procedures, prescription drug coverage and over-the-counter medication.
- **Member is responsible** for claims substantiation – uses debit card or checks.
- **Short plan year** limit is now eliminated

Remember This About BlueFund HRAs…

- Offers **EMPLOYERS** more **financial control** over health care dollars
  - Employers can decide how to fund HRA – how much, not just deductible, etc.
- **Not a bank account** – employer pays only when claims are incurred
- **Employer decides** if you "use it or lose it"
- **Employer decides what is a qualified medical expenses**, including traditional medical coverage, as well as eye glasses, dental procedures, prescription drug coverage and over-the-counter medication.
- Claims are sent directly to FlexAmerica – **allowing automatic substantiation**
- **Subject to COBRA**
- Employer can **choose order** between **HRA and FSA usage**
- 2% Owners and their spouses in LLCs and S Corps cannot use HRA funds as they are not employees, but can be in health plan