

DOLLARS & SENSE



BC Life & Health
Insurance Company

Small Group Employee Elect
PPO 3500
(HSA-Compatible) Plan



Solutions
Small Business Health Care Plans **at Work**

Blue Cross ... coverage you can trust.

With Blue Cross, you're getting much more than a health plan. You're getting the financial strength and stability of a company you can trust. You're getting our rock solid reputation and over 65 years of experience. And, because we strive to be customer-focused in everything we do, you'll have the security of knowing we'll be there when you need us. Just call Small Group Customer Service at (800) 627-8797 and we'll be happy to help.

PPO 3500 (HSA-Compatible) Plan ...

A Health Plan and Financial Strategy All in One.

- You can apply for a High Deductible Health Plan (HDHP) and a Health Savings Account (HSA) at the same time
- You build a nest egg to pay for eligible health care expenses with tax-free dollars
- You get up to \$5,000,000 in covered benefits over your lifetime
- You choose from over 46,000 doctors and specialists, and from over 440 hospitals
- You save money with Blue Cross-negotiated lower rates with in-network doctors
- You choose either an annual physical exam or a HealthyCheckSM preventive screening each year; deductible waived
- You get coverage all across the country through the BlueCard[®] program
- You make tax time easier by using your HSA bank statement to quickly identify and summarize contributions and deductions made throughout the year

The 2-step savings solution

Enrollment in an HSA-qualified plan is required before a tax-advantaged HSA can be established. Through our arrangement with JPMorgan Bank N.A. (Chase), you can apply for both the HDHP and the HSA at the same time...or, apply for just the Blue Cross HDHP and set up an HSA at another financial institution on your own.

Your plan is packed with valuable programs and services ...

Take advantage of these free resources:

- **HealthyExtensionsSM** provides information about 10-50% discounts on health and wellness products and services from independent vendors and practitioners
- **MedCall[®]** connects you to registered nurses 24 hours a day for answers to your medical questions
- **Baby ConnectionSM** helps you take positive steps in preparing for your new arrival
- **Health Improvement Programs** support you in managing diabetes, asthma or congestive heart failure
- **Healthy Living** gives you access to a wealth of information and resources on www.bluecrossca.com
- **Subimo[®] Healthcare Advisor** offers you the ability to research medical and hospital information customized to your specific circumstances through convenient access to their secure Web site

*Save on taxes and plan premiums, **build a nest egg** to pay for eligible health care expenses with tax-free dollars, and enjoy the option of **convenient, one-stop shopping** for a health plan and HSA.*

Powerful Savings from The Power of BlueSM

With Blue Cross health coverage, you save in three significant ways:

- 1) Our in-network doctors and hospitals charge you lower, Blue Cross-negotiated fees
- 2) You pay only a portion of the fees for eligible covered expenses and we pay the rest (see example below)
- 3) We give you access to tremendous savings on preventive care, so you can stay as healthy as possible – and keep your health care expenses as low as possible

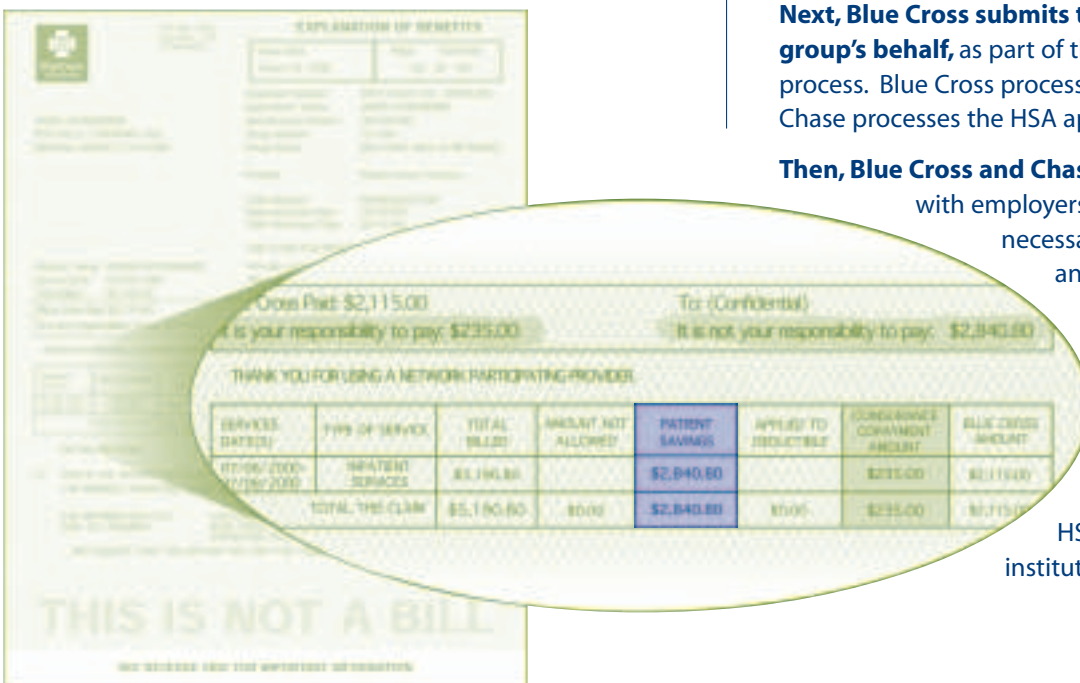
Save time by applying for a Chase HSA in our integrated enrollment process

First, employers submit to Blue Cross all necessary paperwork: Blue Cross Employer Application (and other documents as needed) and Employee Applications, along with a Chase HSA Group Initiation Form and a Chase HSA Enrollment Form for each employee who wants to open a Chase HSA.

Next, Blue Cross submits the HSA forms to Chase on the group's behalf, as part of the integrated application process. Blue Cross processes the health plan applications; Chase processes the HSA applications.

Then, Blue Cross and Chase finalize details separately with employers and employees, providing all necessary communication, documents and support ... Blue Cross for the health plan; Chase for the HSA.

Note: Integrated enrollment is offered as a convenient option; members are also free to enroll in the Blue Cross plan and establish an HSA separately with the financial institution of their choice.



You're free to go to health care providers outside of the Blue Cross network, but you'll **save a substantial amount by choosing from our 46,000 doctors and 440 hospitals.** So stay in the Blue Cross network ... and save.

Working Together

The health plan provides **comprehensive coverage** after the deductible is met ... and the deductible applies to the annual out-of-pocket maximum.

Tax-deductible contributions to the HSA (and tax-free interest) can be used to pay for qualified medical expenses not covered by the health plan.

SMALL GROUP PPO 3500 (HSA-Compatible) Plan

All amounts listed are the member's responsibility to pay after deductibles, unless otherwise noted. In-network negotiated fees can result in 30 to 40% savings compared to providers' usual fees.

CORE FEATURES	IN-NETWORK Receive Negotiated Savings	OUT-OF-NETWORK Pay Higher Costs
Annual Deductible Medical/pharmacy combined; applies to annual Out-of-Pocket Maximum	Single member: \$3,500 ; Family: \$7,000 aggregate	
Maximum Lifetime Covered Charges Paid by Blue Cross	\$5,000,000	
Annual Out-of-Pocket Maximum Medical/pharmacy combined; certain member payments do not apply ¹	Single member: \$4,000 ; Family: \$7,500 aggregate	
Office Visits	\$35 copay after annual deductible	50% of negotiated fee plus 100% of excess charges after annual deductible
Other Professional Services Includes maternity, diagnostic lab and X-ray	Blue Cross pays 100% of negotiated fee after annual deductible	50% of negotiated fee plus 100% of excess charges after annual deductible
Hospital Inpatient Facility Services Preservice Review required	Blue Cross pays 100% of negotiated fee after annual deductible	All charges in excess of \$650 per day after annual deductible
Hospital Inpatient Professional Services (lab, physician, anesthesia)	Blue Cross pays 100% of negotiated fee after annual deductible	50% of negotiated fee plus 100% of excess charges after annual deductible
Outpatient Facility Services Preservice Review required for certain surgical services and diagnostic procedures	Blue Cross pays 100% of negotiated fee after annual deductible	All charges in excess of \$380 per day after annual deductible
Ambulatory Surgical Centers and Dialysis Centers Preservice Review required	Blue Cross pays 100% of negotiated fee after annual deductible	All charges in excess of \$380 per day after annual deductible
Prescription Drugs² 30-day supply retail; up to a 60-day supply available through mail order; member payments apply to combined medical/pharmacy annual deductible	<u>Generic</u> : \$10 copay <u>Brand-name</u> : \$25 copay <u>Self-injectable(except insulin)</u> : 30% of negotiated fee	50% of drug limited fee schedule plus 100% of excess charges if filled within California
Annual Preventive Care Options (not subject to deductible) each family member, ages 7-adult, may choose annually between a Physical Exam or a HealthyCheck screening		
Physical Exam: Maximum Blue Cross payment \$200 for members covered more than 6 months/\$100 if less; in-network and out-of-network combined.	\$35 for office visit charge; plus any negotiated fee amount in excess of the Blue Cross payment	50% of negotiated fee for office visit charge; 50% of negotiated fee for related covered services; plus any amount in excess of the Blue Cross payment
OR		
HealthyCheckSM Screening Includes certain lab tests, immunizations and health education information	\$25 or \$75 copay health screening options	Not available

¹ Services that do not apply to the annual out-of-pocket maximum include, but are not limited to: copay paid for acupuncture/acupressure when performed by an out-of-network provider; copay paid for mental or nervous disorders and substance abuse (except for treatment of severe mental illness and serious emotional disturbances of a child) when performed by an out-of-network provider; \$500 copay for infertility services out-of-network; copay for not obtaining out-of-service preservice review; and non-covered services.

² Infertility Drugs: Infertility drug lifetime maximum Blue Cross payment \$1,500 in-network and out-of-network combined. All drugs: if a member selects a formulary brand-name drug when a generic equivalent drug is available and the physician does not write a "dispense as written" or "do not substitute" prescription, the member will be responsible for the brand-name copay plus the difference between the brand-name drug and the generic equivalent drug. For information about non-formulary drugs, please refer to the Certificate.

SMALL GROUP PPO 3500 (HSA-Compatible) Plan

This is an overview of coverage. A comprehensive description of coverage, benefits and limitations is contained in the Certificate. Review the Exclusions and Limitations prior to applying for coverage.

ADDITIONAL FEATURES	IN-NETWORK Receive Negotiated Savings	OUT-OF-NETWORK Pay Higher Costs
Well Baby Immunizations and Adult Screening Tests (deductible waived for office visit charge only) Children through age 6: regular check-ups and immunizations Ages 7-Adult: includes annual Pap, breast exam and mammogram for women and Prostate Specific Antigen study for men	\$35 office visit copay (not subject to deductible) Blue Cross pays 100% of negotiated fee for all other covered services after annual deductible.	50% of negotiated fee plus 100% of excess charges
Emergency Care \$100 Emergency Room copayment for each visit - waived if admitted	Blue Cross pays 100% of negotiated fee after annual deductible	All charges in excess of customary and reasonable after annual deductible
Ambulance	Blue Cross pays 100% of negotiated fee after annual deductible	All charges in excess of customary and reasonable after annual deductible
Skilled Nursing Facility 100 days per year, in-network and out-of-network combined; Preservice Review required	Blue Cross pays 100% of negotiated fee after annual deductible	All charges in excess of \$150 per day after annual deductible
Home Health Care 100 four-hour visits per year, in-network and out-of-network combined; Preservice Review required	Blue Cross pays 100% of negotiated fee after annual deductible	All charges in excess of \$75 per visit after annual deductible
Physical/Occupational Therapy, Chiropractic Care 12 visits per year, in-network and out-of-network combined	Blue Cross pays 100% of negotiated fee after annual deductible	All charges in excess of \$25 per visit after annual deductible
Acupuncture/Acupressure 24 visits per year, in-network and out-of-network combined; in-network member payments apply to out-of-pocket maximum	All of the negotiated fee in excess of \$25 per visit after annual deductible	All charges in excess of \$25 per visit after annual deductible
Mental Health/Inpatient* Includes chemical dependency; 30 days per year, in-network and out-of-network combined; in-network member payments apply to out-of-pocket maximum; Preservice Review required	All of the negotiated fee in excess of \$175 per day after annual deductible	All charges in excess of \$175 per day after annual deductible
Mental Health/Outpatient Professional Services* Includes chemical dependency; 1 visit per day, 20 visits per year, in-network and out-of-network combined; in-network member payments apply to out-of-pocket maximum	All of the negotiated fee in excess of \$25 per visit after annual deductible	All charges in excess of \$25 per visit after annual deductible
Infusion Therapy Includes chemotherapy; Preservice Review required	Blue Cross pays 100% of negotiated fee after annual deductible	All charges in excess of \$50 per day (except for drugs); all charges in excess of average wholesale price for drugs; all charges in excess of combined maximum Blue Cross payment of \$500 per day; after annual deductible
Infertility Services Maximum lifetime benefit \$2,000, in-network and out-of-network combined	\$500 copay after annual deductible	\$500 copay, plus 50% of the balance of negotiated fee plus 100% of excess charges after annual deductible

* Except for coverage of severe mental illness and serious emotional disturbances of a child.

Exclusions and Limitations

Following is an abbreviated list of exclusions and limitations; please see the Certificate for comprehensive details.

- Any amounts in excess of maximums stated in the Certificate.
- Services or supplies that are not medically necessary.
- Services received before your effective date.
- Services received after your coverage ends.
- Any conditions for which benefits can be recovered under any workers' compensation law or similar law.
- Services you receive for which you are not legally obligated to pay.
- Services for which no charge is made to you in the absence of insurance coverage.
- Services not listed as covered in the Certificate.
- Services from relatives.
- Vision care except as specifically stated in the Certificate.
- Eye surgery performed solely for the purpose of correcting refractive defects.
- Hearing aids and routine hearing tests except as specifically stated in the Certificate.
- Sex changes.
- Dental and orthodontic services except as specifically stated in the Certificate.
- Cosmetic surgery.
- Routine physical examinations except as specifically stated in the Certificate.
- Treatment of mental or nervous disorders and substance abuse (including nicotine use) or psychological testing, except as specifically stated in the Certificate.
- Custodial care.
- Experimental or investigational services.
- Services provided by a local, state or federal government agency, unless you have to pay for them.
- Diagnostic admissions.
- Telephone or facsimile machine consultations.
- Personal comfort items.
- Nutritional counseling.
- Health club memberships.
- Any services to the extent you are entitled to receive Medicare benefits for those services without payment of additional premium for Medicare coverage.
- Food supplements, except for formulas and special food products to prevent complications of phenylketonuria (PKU).
- Genetic testing for non-medical reasons or when there is no medical indication or no family history of genetic abnormality.
- Outdoor treatment programs.
- Replacement of prosthetics and durable medical equipment when lost, stolen or damaged.
- Any services or supplies provided to any person not covered under the Agreement in connection with a surrogate pregnancy.
- Immunizations for travel outside the United States.
- Services or supplies related to a pre-existing condition.
- Educational services except as specifically provided or arranged by Blue Cross.
- Infertility services (including sterilization reversal) except as specifically stated in the Certificate.
- Care or treatment provided in a non-contracting hospital.

- Private duty nursing except as specifically stated in the Certificate.
- Services primarily for weight reduction except medically necessary treatment of morbid obesity.
- Outpatient drugs, medications or other substances dispensed or administered in any outpatient setting.
- Contraceptive devices unless your physician determines that oral contraceptive drugs are not medically appropriate.

General Provisions

Member Privacy

Our complete **Notice of Privacy Practices** provides a comprehensive overview of the policies and practices we enforce to preserve our members' privacy rights and control use of their health care information, including: the right to authorize release of information; the right to limit access to medical information; protection of oral, written and electronic information; use of data; and information shared with employers. This notice can be downloaded from our Web site at www.bluecrossca.com or obtained by calling Small Group Customer Service at (800) 627-8797.

Utilization Review

The Blue Cross Utilization Review Program helps members receive coverage for appropriate treatment in the appropriate setting. Four review processes are included: 1) Preservice Review assesses medical necessity before services are provided; 2) Admission Review determines at the time of admission if the stay or surgery is Medically Necessary in the event Preservice Review is not conducted; 3) Continued Stay Review determines if a continued stay is Medically Necessary; 4) Retrospective Review determines if the stay or surgery was Medically Necessary after care has been provided if none of the first three reviews were performed. Utilization Review is not the practice of medicine or the provision of medical care to you. Only your doctor can provide you with medical advice and medical care.

Grievances

All complaints and disputes relating to a member's coverage must be resolved in accordance with Blue Cross' grievance procedure. You can report your grievance by phone or in writing; see your Blue Cross ID card for the appropriate contact information. All grievances received by Blue Cross that cannot be resolved by phone (when appropriate) to the mutual satisfaction of the member and Blue Cross will be acknowledged in writing, together with a description of how Blue Cross proposes to resolve the grievance. Grievances that cannot be resolved by these procedures shall be resolved as indicated through binding arbitration, or if the plan you are covered under is subject to the Employee Retirement Income Security Act of 1974 (ERISA), in compliance with ERISA rules. If the group is subject to ERISA, and a member disagrees with

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Blue Cross' proposed resolution of a grievance, the member may submit an appeal by phone or in writing, by contacting the phone number or address printed on the letterhead of the Blue Cross response letter.

For the purposes of ERISA, there is one level of appeal. For urgent care requests for benefits, Blue Cross will respond within 72 hours from the date the appeal is received. For pre-service requests for benefits, the member will receive a response within 30 calendar days from the date the appeal is received. For post-service claims, Blue Cross will respond within 60 calendar days from the date the appeal is received.

If the member disagrees with Blue Cross' decision on the appeal, the member may elect to have the dispute settled through alternative resolution options, such as voluntary binding arbitration.

Department of Insurance

Overseeing the industry and protecting the state's insurance consumers is the responsibility of the California Department of Insurance (CDI). The CDI regulates, investigates and audits insurance business to ensure that companies remain solvent and meet their obligations to insurance policyholders. If you have a problem regarding your coverage, please contact Blue Cross first to resolve the issue. If contacts between you (the complainant) and Blue Cross (the Insurer) have failed to produce a satisfactory solution to the problem, you may wish to contact the CDI. They can be reached by writing to the CDI Consumer Affairs Bureau 300 South Spring St. - South Tower, Los Angeles, CA 90013. The CDI also has a toll free phone number (800) 927-HELP (4357) that you may call for assistance.

Binding Arbitration

If the plan is subject to ERISA, any dispute involving an adverse benefit decision must be resolved under ERISA claims procedure rules, and is not subject to mandatory binding arbitration. Members may pursue voluntary binding arbitration after they have completed an appeal under ERISA rules. If the member has another dispute that does not involve an adverse benefit decision, or if the group does not provide a plan that is subject to ERISA, the following provisions apply: Any dispute between the employer and/or the member and Blue Cross must be resolved by binding arbitration (not by lawsuit or trial by jury or other court process, except as California law provides for judicial review of arbitration proceedings), if the amount in dispute exceeds the jurisdictional limit of the Small Claims Court. Under this coverage, both the member and Blue Cross are giving up the right to participate in class arbitration or have any dispute decided in a court of law before a jury.

Medicare

Under TEFRA/DEFRA, Medicare is the primary coverage for groups of less than 20 employees. Blue Cross coverage is

considered primary coverage for groups of 20 or more employees. This Blue Cross coverage is not a supplement to Medicare, but provides benefits according to the non-duplication of Medicare clause.

If Medicare is a member's primary health plan, Blue Cross will not provide benefits that duplicate any benefits you are entitled to receive under Medicare. This means that when Medicare is the primary health coverage, benefits are provided in accordance with the benefits of the plan, less any amount paid by Medicare. If you are entitled to Part A and B of Medicare, you will be eligible for non-duplicate Medicare coverage, with supplemental coordination of benefits. However, if you are required to pay the Social Security Administration an additional premium for any part of Medicare, then the above policy will only apply if you are enrolled in that part of Medicare. Note: Medicare-eligible employees/dependents enrolled in plans where Medicare is primary may obtain an Individual Blue Cross of California Medicare Supplement plan with the pre-existing condition exclusion waived.

Coordination of Benefits

The benefits of a member's plan may be reduced if the member has other group health, dental, drug or vision coverage, so that benefits and services the member receives from all group coverages do not exceed 100 percent of the covered expense.

Third-Party Liability

If a member is injured, the responsible party may be legally obligated to pay for medical expenses related to that injury. Blue Cross may recover benefits paid for medical expenses if the member recovers damages from a legally liable third-party. Examples of third-party liability situations include car accidents and work-related injuries.

Voiding Coverage for False and Misleading Information

False or misleading information or failure to submit any required enrollment materials may form the basis for voiding coverage from the date a plan was issued or retroactively adjusting the premium to what it would have been if the correct information had been furnished. No benefits will be paid for any claim submitted if coverage is made void. Premiums already paid for the time period for which coverage was rescinded will be refunded, minus any claims paid.

Incurred Medical Care Ratio

As required by law, we are advising you that Blue Cross of California and its affiliated companies' incurred medical care ratio for 2004 was 80.14 percent. This ratio was calculated after provider discounts were applied.

Learn about *HSAs*.

Where can employers and employees get answers about HSAs?

Helpful information may be found online at www.hsainsider.com. Employers and employees should consult their tax advisors for full guidance about HSAs, eligibility requirements and other tax-related issues. Blue Cross does not provide tax advice, and does not administer employees' HSA accounts.

What is a Health Savings Account (HSA)?

HSAs were created by the Medicare bill signed on December 8, 2003 and are designed to help eligible individuals save for qualified medical and retiree health expenses on a tax-favored basis. To establish an HSA and begin making tax-favored contributions, an individual must first enroll in an HSA-compatible, high-deductible health plan (HDHP). Contributions to HSAs can be made by both individuals and their employers. Interest earnings and withdrawals are tax-advantaged, provided they are used to pay for current and future "qualified medical expenses."

What is a "qualified medical expense?"

A qualified medical expense is any health care cost as defined in the Internal Revenue Code (IRC Section 213 [d]) but only to the extent the expenses are not covered by the HDHP. Qualified medical expenses include medical expenses that are applied to the member's deductible and certain other expenses not covered by the HDHP, such as coinsurance and prescription drug copays.

What are some of the benefits of an HSA?

Contributions may be 100 percent tax-deductible. Withdrawals and interest earned are tax-free if used to pay for qualified medical expenses. Employees own their HSA – it moves with them if they change jobs. Please note that tax treatment of HSAs may vary from State to State; always consult your tax advisor for guidance.

Who applies for the HSA – the employer or the employee?

The employee applies for the HSA, but the employer may also be involved. If the group wishes to take advantage of the opportunity to open Chase HSAs along with enrollment in a BCL&H high-deductible plan, the employer must submit a Chase Group Initiation Form. Employers also set up the banking arrangements if employees want to have certain amounts taken out of their pay for automatic deposit to their HSAs.



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HealthyExtensionsSM and Baby ConnectionSM are provided by Blue Cross as a service to our members. This service does not constitute benefits under Blue Cross plans and is subject to change or cancellation without notice. Goods and services available through discount programs are not benefits of coverage. Blue Cross does not endorse or recommend any goods or services provided at a discount by these vendors or practitioners. These programs may be changed or withdrawn at any time without notice by the offering vendor or practitioner.

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A High-Deductible Health Plan (HDHP) is not a Health Savings Account (HSA). An HSA, which must be established for tax advantages, is a separate arrangement between an individual and a qualified financial institution. Consultation with a tax advisor is recommended.

BC Life & Health Insurance Company (BCL&H) is an Independent Licensee of the Blue Cross Association (BCA). BCL&H is an insurance company regulated by the California Department of Insurance. The Power of Blue is a service mark and the Blue Cross name, symbol and BlueCard are registered service marks of the BCA.