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my health. my choice.

Refresher on Consumer-Driven Health Plan

Our new Consumer-Driven Health Plan offers you a number of unique features that put YOU in control of your healthcare choices and how to spend your healthcare dollars.

At Acme Inc. we want you to be an educated and informed healthcare consumer. By reviewing the features of our Consumer-Driven Health Plan and its two key components with your family, you are taking the first steps in becoming an active manager of your healthcare decisions.

A **High Deductible Health Plan** (HDHP) is the initial component of one type of Consumer-Driven Health Plan. The HDHP functions like a "traditional" medical plan with deductibles, coinsurance and out-of-pocket requirements. The difference is that the deductibles and out-of-pocket maximums are relatively large and governed by Federal regulations.

For 2013, a qualified HDHP must have a single annual deductible of at least \$1,250 (\$2,500 for family) and annual out-of-pocket expenses (i.e., deductibles, coinsurance, copayments) not exceeding \$6,250 single (\$12,500 for family).



The **Health Savings Account** is the second part and accompanies the HDHP. An HSA provides you with a convenient way to save – and invest – for medical expenses, including those traditionally paid out-of-pocket. You decide on the dollar amount that will be deducted from your paycheck on a pre-tax basis and placed in your account. Like the HDHP, the yearly amount that can be contributed to an HSA is also governed by Federal regulations.

For 2013, the annual contribution limit is \$3,250 for single coverage / \$6,450 for family coverage. The "catch-up" contribution limit is \$1,000.

You have the option to withdraw funds from your HSA to pay for qualified medical expenses, without tax, or keep the money in your account to pay for future medical expenses even into retirement. It is your choice and your money!

Per Pay Cost – What is the Difference?

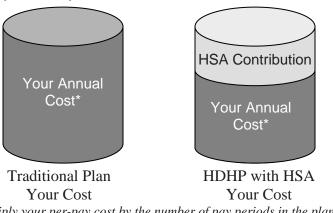
A new way of thinking

The per-pay cost of a High Deductible Health Plan will be less than the per-pay cost of a traditional medical plan. If you use your savings to make a pre-tax contribution* to a Health Savings Account, you can create a fund that grows tax-free from year to year.

^{*} You may also make a direct contribution to your HSA (tax break is when you file your Federal taxes).

Traditional Insurance vs. Consumer-Driven Health Plan (HDHP with HSA)

The money you save on your lower per-pay costs for the Consumer-Driven Health Plan can be put into your HSA to grow tax-free year after year. You own the HSA funds and decide how to use them.



* multiply your per-pay cost by the number of pay periods in the plan year

Growing your HSA

When you use your HSA as a tax-advantaged savings tool, you will be amazed at how the value of your account can grow. The following provides three examples of how your annual HSA contributions can grow with the power of tax-free interest.

At age 37, Elizabeth begins making an annual contribution to her HSA. She plans to contribute at the same rate until age 65 and will not take advantage of the age 55 catch-up contribution once she turns 55. Elizabeth has family coverage with a \$2,500 annual deductible. The HSA will be a savings tool and will not be used for reimbursement of eligible healthcare expenses. The Federal tax rate on her yearly income is 33%.

	Projected HSA Accumulation		
Annual HSA Contribution Amount	\$1,000	\$2,000	\$3,000
Projected HSA balance for future healthcare expenses (at age 65)	\$49,967	\$99,935	\$149,902
Annual tax savings	\$330	\$660	\$990
Accumulated tax savings on contributions (at age 65)	\$9,240	\$18,480	\$27,720

This illustration provides estimated projections and does not guarantee how your investment will grow. Projections are based on 4% rate of return each year and assume that no withdrawals are made and that the contribution amount and the interest rate remain constant until retirement age.

What's Next?

In Issue 5 of "my health. my choice." look for information on becoming a savvy health care consumer. Topics covered will be:

- Containing / lowering costs
- Tax-free money
- It's up to you

