



HEALTH SAVINGS ACCOUNTS A HEALTH PLAN AHEAD





TAKE CONTROL OF YOUR HEALTH CARE DOLLARS

LOOKING FOR A MORE AFFORDABLE HEALTH INSURANCE PLAN *that helps you keep more of your money?* Health Net has the answer: the Health Net HSA program¹.

This program pairs a Health Net HSA-compatible PPO plan with a Wells Fargo health savings account (HSA).

Key advantages include:

- Low monthly premiums.
- A tax-free way to save, invest and pay for qualified medical expenses.²

- Ownership of the HSA—you keep the money from year to year, even if you change jobs or retire.

In short, you spend less on monthly premiums and pay only for the care you use, while saving smartly for your future.



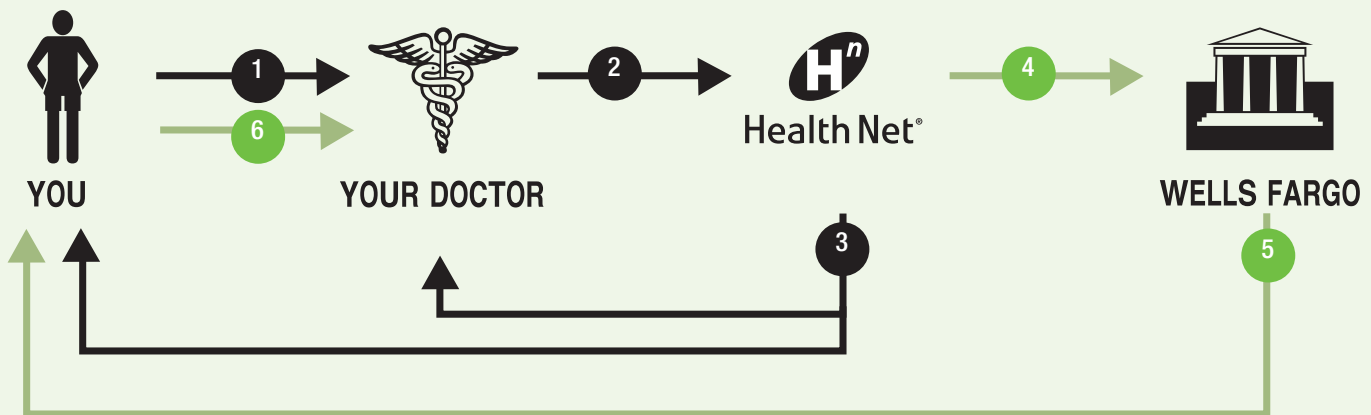
What is an HSA?

HSA stands for Health Savings Account. It is an individually owned savings account similar to an IRA or 401(k) retirement plan, except that funds are used to pay for qualified medical expenses.³

An HSA account is beneficial for several important reasons. The HSA belongs to you, there is no time limit for withdrawing or using funds and there are important tax benefits as well (*see The Benefits of a Health Net HSA*).

To be eligible to contribute to an HSA, you must be enrolled in an *HSA-compatible PPO health plan*.

Health Net offers six high-deductible, HSA-compatible PPO health plans for individuals and families. With these plans, you'll have the freedom of knowing that medical expenses are covered and still have control of your health care dollars. This brochure has some basic information that can help you decide if an HSA program may be right for you.



CLAIMS PROCESS

1. You visit your doctor.
2. Your doctor submits a claim to Health Net.
3. Health Net pays your doctor the plan-covered portion of the bill and sends you an explanation of benefits. This shows the amount you owe.

HSA WITHDRAWAL PROCESS

4. If you have selected the *Spend* option, Health Net automatically sends Wells Fargo an HSA withdrawal request. If you have selected the *Save* option, you must request HSA funds.
5. Wells Fargo sends HSA funds and a statement to you.
6. You pay your doctor the amount you owe.



THE BENEFITS OF A HEALTH NET HSA

MEDICAL PLAN BENEFITS

- The deductible⁴ for preventive care benefits is waived for in-network services. You are only responsible for a low copayment.
- Low monthly premiums.⁵
- With HSA-compatible PPO plans there are no referrals required to see the doctor of your choice.⁶
- Access to a large statewide network of 5,600 physicians and 57 hospitals.
- The security and freedom of comprehensive plan coverage.
- Emergency worldwide coverage when traveling outside of Arizona.

HSA BENEFITS

- Tax-free contributions up to the IRS maximum, and tax-free withdrawals when used for qualified medical or pharmacy expenses.²
- HSA funds can be invested and investment earnings are non-taxable.²
- The HSA belongs to you; you keep it even if you change jobs or retire.
- You have complete control over your health care dollars and they are readily available when you need them.
- Long-term savings, rollover features (no time limit for using the funds) and catch-up contribution for 55+ year-old members.⁷

HEALTH NET'S EXCLUSIVE MEMBER BENEFITS

- *Decision PowerSM* is a decision-support program with Health Coaches, decision-support videos, information resources and online tools, 24 hours a day, seven days a week at no additional cost.
- *Hospital Comparison Report* at healthnet.com allows you to get an independent analysis of area hospitals, including patient volume and charges for a particular procedure or medical condition.



- *HealthGate EBM Solutions* are accessed through the Health Net website and give online information on medical conditions and the latest treatments.
- *It's Your LifeSM—Wellsite* on *healthnet.com* has wellness programs, online tools, health risk assessments, valuable discounts and general health information.
- Other online information— This includes links to your plan benefits, ID card replacement, forms and more.

For more details on our high-deductible, HSA-compatible PPO plans and rates, see the Benefit Overview and Rate brochures in the back pocket of the enrollment packet.





EXAMPLES FOR IN-NETWORK SERVICES

When making decisions about how much to contribute to your HSA account, you may want to review your previous year's medical expenses. This will help you project medical expenses for the coming year.

For example, Sara had routine preventive services and also had a couple of illnesses during the previous year. So based on her previous year's medical expenses, she chose to contribute \$300 to her HSA for the coming year. In addition, she will also pay her appropriate monthly plan premium.

EXAMPLE 1: SARA

SERVICE	COST	DEDUCTIBLE	HEALTH NET PAYS	MEMBER PAYS
Preventive services are covered at 100%				
Routine OB/GYN visit (covered at 100%)	\$75	First \$300 not subject to deductible for preventive care. Health Net pays first \$300. After \$300, subject to deductible.	Health Net pays entire \$75	\$0
Preventive lab and X-ray in doctor's office (covered at 100%)	\$125	First \$300 not subject to deductible for preventive care. Health Net pays first \$300. After \$300, subject to deductible.	Health Net pays entire \$125	\$0
Two office visits for illness	\$150 (\$75 each)	Must first meet deductible	\$0	\$150
Two drug prescriptions	\$150	Must first meet deductible	\$0	\$150
Total medical expenses				\$300



In this example, David had a few medical situations the previous year. Even though his medical expenses were \$1,000, he chose to contribute \$1,500 to his HSA for the coming year. He padded it just a bit because of that big ski trip he has planned. And he will also pay his appropriate monthly plan premium.

Dollar amounts in examples are for illustrative purposes only. Benefit amounts may vary based on plan selected.

EXAMPLE 2: DAVID

SERVICE	COST	DEDUCTIBLE	HEALTH NET PAYS	MEMBER PAYS
Preventive services are covered at 100%				
Visit for routine physical (covered at 100%)	\$75	First \$300 not subject to deductible for preventive care. Health Net pays first \$300. After \$300, subject to deductible.	Health Net pays entire \$75	\$0
One office visit for illness	\$75	Must first meet deductible	\$0	\$75
One drug prescription	\$40	Must first meet deductible	\$0	\$40
One outpatient surgery	\$525	Must first meet deductible	\$0	\$525
Six physical therapy visits	\$360	Must first meet deductible	\$0	\$360
Total medical expenses				\$1000



QUESTIONS AND ANSWERS

How does an HSA work?

An HSA is fairly simple. You must enroll in a Health Net Individual & Family Plan high-deductible, HSA-compatible PPO plan. It's simply a matter of filling out a Health Net enrollment application and a Wells Fargo enrollment form.

You are not eligible to open an HSA if you are:

- Covered by a separate health plan that is not a high-deductible health plan⁸.
- Enrolled in Medicare.
- Enrolled in a Veterans Administration medical plan within the past three months.
- Claimed as a dependent on another person's tax return.
- A minor (under 18 years of age).

What can you pay for with your HSA?

You can use your HSA to pay for qualified medical expenses such as:

- Medical and pharmacy expenses.
- Your annual deductible⁴ payments for physician, pharmacy, dental, vision, etc.
- Your copayment⁹ at the doctor's office.
- Your prescriptions at the pharmacy.
- Other services, including your supplemental service visits (dental or vision).¹

How do you access your HSA funds?

Health Net offers you a couple of ways to pay for qualified medical expenses. You choose how you would like to access your HSA funds when you enroll in the program—EZAccess or AutoPay. As a general rule, HSAs cannot be used to pay monthly insurance premiums.³

How does EZAccess work?

You can use your Wells Fargo Visa[®] debit card. Your card works at all eligible providers that accept Visa[®] debit cards. At the pharmacy you can access HSA funds *immediately*, wherever Visa[®] is accepted.¹⁰

For medical visits, payments are usually made *after* your doctor or other health care provider submits his or her bill to Health Net. This allows us to apply your coverage, as well as our provider discounts. An *Explanation of Benefits* will come in the mail, and tell you exactly what you owe. You might then:

- A. Pay your doctor using your Visa[®] debit card¹⁰; for example, over the phone, or on your next visit OR
- B. Pay your doctor, then submit a Wells Fargo HSA claim form, available by logging in as a Health Net member to *healthnet.com*.



How does AutoPay work?

You choose the *Spend* or *Save* option. With the *Spend* option, we automatically request HSA withdrawals each time you have an expense from a doctor, hospital or pharmacy. Then Wells Fargo sends you the check. No paperwork or receipts to submit.

You may prefer to pay your portion of medical expenses out-of-pocket. In this case, you can select the *Save* option, and no funds will be withdrawn automatically. You can withdraw funds at any time by submitting a claim by mail, email or fax to Wells Fargo. More information can be found at www.wfbbs.com/healthnet.

How do you put money in the account?

You need \$100 to open a Wells Fargo HSA. You decide how much to contribute after that, and may do so by sending a check to Wells Fargo or by arranging for automatic deductions from your checking or savings account.

How much can be contributed to an HSA?

Maximum annual HSA contributions are the lesser of two amounts—the annual deductible under your HSA-compatible PPO plan **OR** a fixed dollar amount set by the IRS (in 2006, \$2,700 for self-only coverage or \$5,450 for family coverage; this amount is prorated by the number of months you are enrolled). There are no maximum limits on how much money you may accumulate in your account over time.

When can you start contributing to the Wells Fargo HSA?

You can make deposits to the account as soon as it's open (as soon as your HSA paperwork has been processed by Wells Fargo).

What administrative fees are there?

The Wells Fargo HSA has a monthly administrative fee of \$3.75 per month that will be automatically withdrawn from your account.¹¹ This fee covers the Visa® debit card costs, processing of manual claims, online account management and customer service.

Can you make catch-up contributions?

Yes, there is a catch-up contribution amount of \$700 per eligible account for participants who are age 55 or older by the end of 2006.



Can someone else contribute money to your account?

Yes, anyone else may put money into your account.

How do you track your account information?

You may track the balance in your HSA and access other account information by going online at www.wfhs.com/healthnet, 24 hours a day, 7 days a week. On the website you can view your account balances and information, process transactions, download forms, change investment options, and link to a list of covered expenses. You may also call Wells Fargo's toll-free phone service at 1-866-631-1301 and speak with customer service representatives between 7 am and 8 pm CST, Monday through Friday. You will also receive personalized reports in the mail each quarter.

How do you get started?

To enroll in a Health Net HSA-compatible PPO plan:

- Contact your authorized Health Net agent
- Call Health Net Individual & Family Plan Sales at 1-888-463-4875
- Visit our website at healthnet.com and select Individual & Family Plans

For further information about HSA administration and your investment options, call Wells Fargo at 1-866-631-1301, 24 hours a day, or access your HSA through the Health Net website by logging on to healthnet.com.

To set up the Wells Fargo HSA:

1. Fill out the Wells Fargo HSA enrollment form and open your account with a minimum deposit of \$100.

2. Decide how much to contribute to your HSA up to the maximum allowable amount (the lesser of your plan's deductible or \$2,700 for individuals/\$5,450 for families, keeping in mind that maximum allowable contribution is prorated by the number of months you are enrolled).
3. Withdraw funds for your portion of any qualified medical expenses.
4. Remember that HSA contributions are tax-deductible. Consult a professional tax advisor if you have questions.

What happens after I enroll?

Once your account is set up with Wells Fargo, you'll receive a confirmation letter in the mail within 7 to 10 business days. This will include your PIN (personal identification number) and instructions on making your investment fund selections. If you select EZAccess, your Wells Fargo Visa® debit card will be sent separately within seven to 10 business days.



FOOTNOTES

1. The health insurance benefits portion of the HSA program is underwritten by Health Net Life Insurance Company, a subsidiary of Health Net, Inc. Health net is not affiliated with Wells Fargo Bank, N.A. This is only a summary of covered benefits. Please read the policy documents for more information.
2. This is federal tax information. State taxes may apply. Tax information is for general purposes only. For more detailed information about the tax implications of an HSA, please contact a professional tax advisor.
3. A complete list of qualified expenses can be found in IRS Publication 502—Medical and Dental Expenses at www.irs.gov. Simply enter “502” in the Search Forms and Publications field. Qualified medical expenses generally do not include premiums paid for health coverage except for: COBRA insurance, qualified long-term care insurance, health insurance for individuals receiving unemployment compensation, Medicare and retiree health insurance. Medicare Supplement premiums are not qualified medical expenses.
4. A specified amount you pay towards covered medical bills before the policy pays its part of the expenses.
5. The monthly cost you pay to be insured.
6. Out-of-network services result in lower benefits. You may need to pre-certify certain types of hospital and other facility-based care to be eligible for coverage. Check your Policy for details.
7. There is a catch-up contribution amount for participants who are 55 or older by the end of 2006 of \$700 per eligible account.
8. You cannot have any other health insurance coverage that is not subject to the HDHP limits except for permitted coverage such as: worker’s compensation, property insurance, insurance for a specific disease (such as cancer coverage), insurance that pays a fixed amount per day of hospitalization, dental, vision, long-term care, accidents and disability.
Per U.S. Treasury: In addition to coverage under an HDHP, Section 223(c)(1)(B) provides that an eligible individual may have specifically enumerated coverage that is disregarded for purposes of the deductible. Coverage that may be disregarded includes “permitted insurance” and other specified coverage (“permitted coverage”). “Permitted insurance” is coverage under which substantially all of the coverage provided relates to liabilities incurred under workers’ compensation laws, tort liabilities, liabilities relating to ownership or use of property, insurance for a specified disease or illness, and insurance that pays a fixed amount per day (or other period) of hospitalization. “Permitted coverage” (whether through insurance or otherwise) is coverage for accidents, disability, dental care, vision care or long-term care. Section 223(c)(2)(C) also provides a safe harbor for the absence of a preventative care deductible. See Notice 2004-23.
9. The percentage or amount you pay, depending on your plan, after you have met your annual deductible, and before you reach your annual out-of-pocket maximum.
10. Provider acceptance and billing methods may vary.
11. Wells Fargo will charge an administrative fee in the amount of \$3.75 per account holder per month for administrative services relating to the HSA. Please refer to the enrollment form for additional information regarding the administrative services fee.



EXCLUSIONS AND LIMITATIONS

- This document is an overview of the Health Net HSA program. For plan details, see Schedule of Benefits and Policy. For HSA details, please refer to HSA agreement.
- Eligible expenses for services provided by a non-contracted provider will be an amount determined by Health Net based on a percentage of the Health Net fee schedule. The amount may be adjusted from time to time by Health Net.
- Pre-certification is required for certain services. If pre-certification is not obtained, it will result in a reduction in benefits.
- In- and out-of-network benefits are subject to deductible, then a percentage of eligible medical expenses.
- Preventive health care services are defined as routine physical, pap smear, mammography and PSA screenings. For a complete list, see the Schedule of Benefits and Policy.
- All drugs covered on your outpatient prescription benefit are placed in one of the four tiers on the Preferred Drug List (PDL). The Health Net PDL is a listing of covered medications.
- Pre-existing condition limitations apply. Refer to your Policy for details.

Decision PowerSM is not part of Health Net's commercial medical benefit plans nor affiliated with Health Net's provider network and it may be revised or withdrawn without notice. Decision Power is part of Health Net's Medicare Advantage benefit plans but is not affiliated with Health Net's provider network. Decision Power services, including Health Coaches, are additional resources that Health Net makes available to enrollees of the above listed Health Net companies.

In Arizona, benefits are underwritten and/or administered by Health Net of Arizona, Inc., for HMO plans and Health Net Life Insurance Company for indemnity plans and life insurance coverage. The Health Net of Arizona, Inc. service area includes all Arizona counties. Health Net, Inc., is the parent company of both Health Net of Arizona, Inc., and Health Net Life Insurance Company.

Health Net[®] is a registered service mark of Health Net, Inc. A Better DecisionSM and Decision PowerSM are service marks of Health Net, Inc. VISA[®] is a registered trademark of Visa International Service Association. All rights reserved.

HSA administration services are provided through Wells Fargo Benefits Services. Investments in HSAs are not FDIC insured, may lose value and are not bank guaranteed. The HSA trustee, Wells Fargo Bank, N.A is not a registered broker dealer. Promotional materials describing HSA investments have been approved and authorized by Wells Fargo. Wells Fargo will charge an administrative fee in the amount of \$3.75 per account holder per month for administrative services relating to the HSA. Please refer to the enrollment form for additional information regarding the administrative services fee. For further information about HSA administration, and our investment options, call Wells Fargo at 1-866-631-1301, 24 hours a day.