



# OVERVIEW OF MEDICAL OPTIONS AND CASH ACCOUNTS

## Pre-Medicare Retirees

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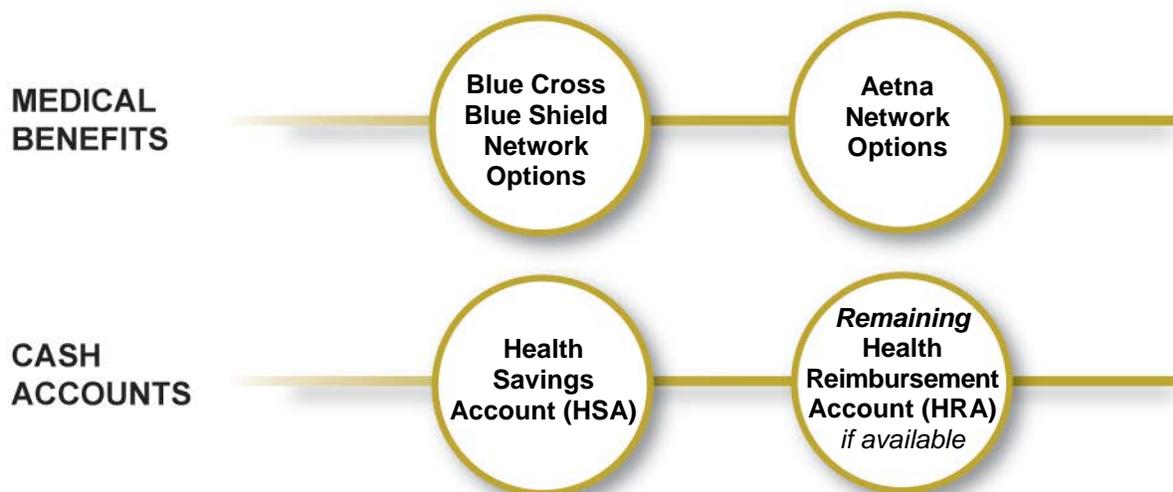
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# OVERVIEW OF MEDICAL OPTIONS AND CASH ACCOUNTS

## The Big Picture – for Pre-Medicare Retirees

Effective January 1, 2014

### MEDICAL BENEFITS: THEY'RE ALL ABOUT PROTECTION, VALUE AND PERSONAL RESPONSIBILITY



#### Comprehensive, Competitive Coverage

As a BNSF salaried retiree, you have access to several medical coverage options. Beyond helping you pay for health care expenses, your medical coverage is structured to encourage you to:

- ▶ Seek preventive care,
- ▶ Know your personal health situation,
- ▶ Take action for improving and maintaining personal wellness, and
- ▶ Be an informed, efficient purchaser of health care services.

Medical coverage also is a valuable financial resource that protects you and your family from

the potentially heavy financial burdens of extensive medical treatment.

#### We're In It Together

As the purchaser of health care services, you have a critical responsibility to use the health care system efficiently. That includes asking questions of doctors and other care providers. As you would do with other important purchases, find out:

- ▶ What you are getting and what it will cost,
- ▶ The alternatives available, and
- ▶ The impact that you should expect (such as pain, hassle, timing and results).

The best way to hold down the shared cost of medical coverage is to reduce the need for treatment of controllable health problems. Take action to protect and enhance your overall wellness. Get physical exams on schedule. Know your personal health numbers for cholesterol, blood pressure and body mass, for example. And if you use tobacco, commit to quitting.

Your health is your greatest personal asset. Take charge of your health ... for yourself, your family, your future.

### **Preventive Care at Little or No Cost to You**

The Medical Program covers routine preventive care (periodic physical exams, screenings, health counseling and certain women's health services) at no cost to you (up to certain limits). In addition, specific preventive medications targeting certain risk factors, such as those for high blood pressure, high cholesterol, diabetes, asthma and other conditions, are covered with no upfront deductible.

### **Flexibility to Personalize the Way You Use Benefit Resources**

BNSF's health care programs offer options so you have a choice of provider networks for medical coverage and flexibility in tailoring certain coverage and cost aspects.

**Defined terms:** For the meaning of terms in [blue](#), click to see the Defined Terms section.



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In addition, a Health Savings Account (HSA) gives you the opportunity to build up tax-advantaged savings to pay current and future eligible health care expenses, including deductibles, coinsurance, copayments and other out-of-pocket expenses for medical, prescription drug, dental, vision and hearing care expenses.

### **Special Rules if Both You and Your Spouse Were BNSF Salaried Employees**

If you and your spouse are each covered by a BNSF medical program for retired or active salaried employees, you cannot "double cover" each other or your children under the Medical and Vision Care programs. One of you may choose you + family coverage while the other takes no coverage, or one of you may elect you + child(ren) coverage while the other chooses you only coverage.

## MEDICAL OPTIONS OVERVIEW

You have the opportunity to make several important choices about your Medical Program coverage when you first enroll and during each annual enrollment period.

While you may select either Aetna or BlueCross BlueShield (BCBS) as your benefits administrator, both administer a single BNSF Medical Program for Pre-Medicare Retirees. Although the schedule of benefits is the same under both Aetna and BCBS, there may be differences in the way each interprets new and cutting-edge treatments. For coverage details, see the *Medical Program for Pre-Medicare Retirees* chapter of this Summary Plan Description (SPD). If you have questions about what is covered, call Aetna at 800-826-2386 or BCBS at 888-399-5945.

Note that Internal Revenue Service (IRS) “dual coverage” rules do not allow you – the retiree – to participate simultaneously in medical coverage that includes making contributions to an HSA (such as the BNSF Medical Program for Pre-Medicare Retirees) and another plan that pays for medical expenses, unless the other plan also has an HSA.<sup>1</sup> For more information about dual coverage rules, see *Important Rules and Administrative Information in Brief* in the chapter of this SPD titled *Medical Program for Pre-Medicare Retirees*.

### Your Medical Program Options

<b>1</b> <b>WHOM TO COVER</b>	<b>You only</b>	<b>You + spouse</b>	<b>You + child(ren)</b>	<b>You + family</b>
<b>2</b> <b>CHOICE OF TWO DEDUCTIBLES</b>	<b>Option 1</b> <ul style="list-style-type: none"> <li>• \$1,500 deductible for you only</li> <li>• \$3,000 deductible for you + family</li> </ul>		<b>Option 2</b> <ul style="list-style-type: none"> <li>• \$3,000 deductible for you only</li> <li>• \$6,000 deductible for you + family</li> </ul>	
<b>3</b> <b>CHOICE OF TWO PROVIDER NETWORKS</b>	<b>Aetna</b> <a href="http://aetna.com">aetna.com</a> For network provider list, choose Find a Doctor. For Plan, under Aetna Open Access plans select Aetna Choice POS II (Open Access).		<b>BlueCross BlueShield (BCBS)</b> <a href="http://bcbsil.com/bnsf">bcbsil.com/bnsf</a> For network provider list, select Find a Doctor. Then under Select a Plan, choose Group and then PPO.	
<b>4</b> <b>CHOICE OF HSA CONTRIBUTIONS</b> <small>(how much you would like to contribute to your tax-advantaged Health Savings Account)</small>	You choose the amount of tax-advantaged contributions you would like to make to your <b>Health Savings Account</b> to use for current and future health care costs.			
<b>Retirees with TRICARE or VA Coverage</b> Due to IRS rules, the HSA cannot be offered to retirees enrolled in a government-sponsored health plan such as TRICARE or VA.				

<sup>1</sup> Due to this restriction, BNSF Medical Program participants who are also enrolled in a government-sponsored health plan such as TRICARE or VA may not participate in an HSA.

**Myth and Fact About Health “Insurance”**

While you may think of your BNSF retiree health care coverage as “insurance,” actually coverage under the medical options is “self-insured.” That means claims are paid from money contributed by you, your fellow retirees and BNSF. Aetna and Blue Cross Blue Shield simply administer claims on behalf of BNSF. By making smart decisions about your use of health care and the related expenses, you can help reduce these costs.

## CASH ACCOUNTS OVERVIEW

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Following is a summary of how the accounts work and where to get information about expenses eligible for reimbursement from the accounts, as determined by the IRS.

**Health Savings Account (HSA)**

An HSA is available to most participants in the Medical Program for Pre-Medicare Retirees.

**About the HSA** Because the Medical Program qualifies as a high deductible health plan under current Internal Revenue Service (IRS) rules, you may choose to make tax-deductible contributions to an HSA, up to federal annual limits. You may use the tax-free dollars in your HSA to reimburse yourself for eligible medical, dental, vision and hearing expenses.

In addition:

- ▶ The HSA is yours. You take your account with you even after your BNSF pre-Medicare medical coverage ends.
- ▶ Any account balance rolls over each year.
- ▶ The account earns interest and offers investment options. Check with the [HSA Account Administrator](#) for information about available options.
- ▶ The HSA is separate and apart from the BNSF Group Benefits Plan and is not an [ERISA](#) plan.
- ▶ For Medical Program claims and administrative purposes, *you are considered to be an HSA participant even if you do not set up an account with the HSA Account Administrator.*<sup>2</sup>

**HSA Contribution Limits**

The amount of voluntary, tax-deductible dollars you may contribute to an HSA is set by the federal government. For calendar year 2014, contribution limits are:

- ▶ "You only" coverage: \$3,300.
- ▶ Family coverage: \$6,550.
- ▶ Additional "catch-up" contributions (retiree age 55 or older): \$1,000.

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<sup>2</sup> Does not apply if the HSA is unavailable to you because of your enrollment in a government-sponsored health plan such as TRICARE or VA.

However, you may not contribute to an HSA after reaching age 65 unless you delay enrolling in Medicare.

### How You May Use Account

- ▶ Use your HSA to help pay your share of eligible health care expenses (medical, prescription drug, dental, vision and hearing), including deductibles and your share of coinsurance.
- ▶ You may use HSA money for the eligible expenses of tax dependents whether or not they are covered by BNSF benefit programs. Note the age restrictions for dependent children; see [Qualifying Dependents and Age Limits](#).
- ▶ You may build up your HSA to pay retiree medical premiums and eligible out-of-pocket expenses after your BNSF coverage for pre-Medicare retirees ends.

### Paying Expenses from Account

- ▶ You may pay eligible expenses directly with a provided debit card, using tax-free dollars from your account, up to the current balance in your account.
- ▶ You may have funds transferred from your HSA to your checking or savings account to reimburse yourself for eligible expenses.
- ▶ Your same debit card will access balances in both your HSA and in any BNSF Limited Purpose Health Reimbursement Account (Limited Purpose HRA) that you have. (For HRA details, see [Balances Remaining in a Limited Purpose HRA](#) in this chapter.) The debit card is a “smart” card, so it will automatically pay expenses for dental and vision services first from any available balance in your Limited Purpose HRA before using funds from your HSA.

### Proof of Expense

No proof of expense is needed to use funds from your HSA. However, the IRS may ask for proof during an audit, so it is important to keep receipts and document expenses you pay through your HSA. Income taxes and IRS penalties apply if account funds are used for ineligible expenses.

### Qualifying Dependents and Age Limits

Expenses can be reimbursed for:

- ▶ You and your spouse;
- ▶ Your child who qualifies as your tax dependent, which generally means the child is under *age 19*, or under *age 23* if a full-time student; or
- ▶ Anyone who qualifies as your dependent for income tax purposes (such as a parent who lives with you).

### Eligible Expense Details

For a list of expenses that qualify for tax-free payment or reimbursement, go to [www.irs.gov](http://www.irs.gov) > Forms and Publications > Publication 502 and Publication 969.

### If Your BNSF Coverage Ends

When a retiree's BNSF coverage ends under this Medical Program for Pre-Medicare Retirees, such as when the retiree becomes eligible for Medicare, the retiree's HSA will move out from under the BNSF program and the retiree will receive a new debit card from UMB Bank. Since the HSA belongs to you, the retiree, you can decide to leave it with UMB Bank or move it to another bank and continue to use the funds to reimburse yourself for qualified out-of-pocket health care expenses.

## Balances Remaining in a Limited Purpose Health Reimbursement Account (Limited Purpose HRA)

*A Limited Purpose HRA contains only balances left over from your prior participation in a BNSF medical option that included an HRA.*

### About the Limited Purpose HRA

- ▶ Any balance remaining in a BNSF Limited Purpose HRA is available for your use as long as you or an eligible dependent remains enrolled in BNSF medical coverage. Otherwise, you forfeit any balance. If you are eligible and enroll in coverage under the BNSF Medical Program for Medicare-Eligible Retirees, the account is converted to a post-Medicare HRA.
- ▶ Any account balance rolls over each year.
- ▶ You cannot make contributions to the HRA.
- ▶ The account does not earn interest or investment returns.
- ▶ HRAs are part of the Medical Program for Pre-Medicare Retirees under the BNSF Group Benefits Plan and are subject to [ERISA](#).

### How You May Use Account

- ▶ You cannot use funds from a Limited Purpose HRA to pay expenses for medical services or prescription drug expenses.
- ▶ You may use a Limited Purpose HRA to pay your share of eligible *non-medical* health care expenses, including vision, dental and orthodontia expenses. This includes such eligible expenses of tax dependents whether or not they are covered by BNSF benefit programs.

### Paying Expenses from Account

- ▶ You pay eligible expenses directly with a provided debit card or request reimbursement from the HRA [Account Administrator](#), using tax-free dollars, up to the current balance in your account.
- ▶ Your same debit card will access balances in both your Limited Purpose HRA and your HSA. (For HSA details, see the [Health Savings Account](#) section of this chapter.) The debit card is a “smart” card, so it will automatically pay expenses for dental and vision services first from any available balance in your Limited Purpose HRA before using funds from your HSA.

### Proof of Expense

You must provide the HRA [Account Administrator](#) proof of any expense paid through your Limited Purpose HRA. Even if you use your provided debit card to make a purchase that the merchant validates electronically, you still may be asked for proof that the expense was eligible. Be sure to keep receipts for all expenses. Failure to substantiate an expense will result in your debit card being temporarily deactivated until you provide adequate proof of the charge.

### Qualifying Dependents and Age Limits

Expenses can be reimbursed for:

- ▶ You and your spouse;
- ▶ Children (natural, adopted, stepchildren, foster) under **age 26** regardless of the child’s student, marital, residency or tax-dependency status; or
- ▶ Anyone who qualifies as your dependent for income tax purposes (such as a parent who lives with you).

- Eligible Expense Details** For a list of expenses that qualify for tax-free payment or reimbursement, go to [www.irs.gov](http://www.irs.gov)> Forms and Publications > Publication 502 and Publication 969.
- If Your BNSF Coverage Ends**
- ▶ *If not eligible to continue coverage under the BNSF Medical Program for Medicare-Eligible Retirees* – As a retiree or dependent, when your BNSF medical coverage ends, such as when you become eligible for Medicare, your Limited Purpose HRA balance will remain available to any family members who are covered under the BNSF Medical Program for Pre-Medicare Retirees.
  - ▶ *If eligible to continue coverage under the BNSF Medical Program for Medicare-Eligible Retirees* – As a retiree or surviving spouse, any HRA balance will be rolled into the HRA provided under the Medical Program for Medicare-Eligible Retirees, following a 90-day claims run-out period, as long as you choose coverage through BNSF's approved provider. At that time the balance will be converted to a General Purpose HRA. In the case of a covered spouse who becomes Medicare-eligible before the retiree, the HRA remains in the name of the retiree.

### Balances Remaining in a General Purpose Health Reimbursement Account (General Purpose HRA)

*A General Purpose HRA contains only balances left over from your prior participation in a BNSF medical option that included an HRA.*

- About the General Purpose HRA**
- ▶ Any balance remaining in a BNSF General Purpose HRA is available for your use as long as you or your eligible dependent remains enrolled in BNSF medical coverage. Otherwise, you forfeit any balance. If you are eligible and enroll in coverage under the BNSF Medical Program for Medicare-Eligible Retirees, the account is converted to a post-Medicare HRA.
  - ▶ Any account balance rolls over each year.
  - ▶ You cannot make contributions to the HRA.
  - ▶ The account does not earn interest or investment returns.
  - ▶ HRAs are part of the Medical Program for Pre-Medicare Retirees under the BNSF Group Benefits Plan and are subject to [ERISA](#).
- How You May Use Account**
- ▶ Use your General Purpose HRA to help pay your share of eligible health care expenses (medical, prescription drug, dental, vision and hearing), including deductibles and your share of coinsurance.
  - ▶ You may use General Purpose HRA money for the eligible expenses of tax dependents whether or not they are covered by BNSF benefit programs.
- Paying Expenses from Account** You pay eligible expenses directly with a provided debit card or request reimbursement from the HRA [Account Administrator](#), using tax-free dollars from your account, up your account's current balance.

**Proof of Expense**

You must provide the HRA [Account Administrator](#) proof of any expense paid through your General Purpose HRA. Even if you use your provided debit card to make a purchase that the merchant validates electronically, you still may be asked for proof that the expense was eligible. Be sure to keep receipts for all expenses. Failure to substantiate an expense will result in your debit card being temporarily deactivated until you provide adequate proof of the charge.

**Qualifying Dependents and Age Limits**

Expenses can be reimbursed for:

- ▶ You and your spouse;
- ▶ Children (natural, adopted, stepchildren, foster) under **age 26** regardless of the child's student, marital, residency or tax-dependency status; or
- ▶ Anyone who qualifies as your dependent for income tax purposes (such as a parent who lives with you).

**Eligible Expense Details**

For a list of expenses that qualify for tax-free payment or reimbursement, go to [www.irs.gov](http://www.irs.gov) > Forms and Publications > Publication 502 and Publication 969.

**If Your BNSF Coverage Ends**

- ▶ *If not eligible to continue coverage under the BNSF Medical Program for Medicare-Eligible Retirees<sup>3</sup>* – When your BNSF medical coverage ends under this Medical Program for Pre-Medicare Retirees, such as when you become eligible for Medicare, your General Purpose HRA balance will remain available to any family members who remain covered under the Medical Program.
- ▶ *If eligible to continue coverage under the BNSF Medical Program for Medicare-Eligible Retirees<sup>3</sup>* – As a retiree or surviving spouse, any General Purpose HRA balance will be rolled into the HRA provided under the Medical Program for Medicare-Eligible Retirees, following a 90-day claims run-out period, as long as you choose coverage through BNSF's approved provider. In the case of a covered spouse who becomes Medicare-eligible before the retiree, the HRA remains in the name of the retiree.

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## WHOM TO CALL ABOUT YOUR BENEFITS

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For questions about eligibility for coverage or enrollment in the Medical Program, call the BNSF Benefits Center at 877-451-2363.

For questions about the Medical Program options, covered expenses or claims, see their respective chapters.

For questions about the HSA, General Purpose HRA or Limited Purpose HRA, eligible expenses, using the debit card or claims for reimbursement, call PayFlex at 800-284-4885 or visit [www.healthhub.com](http://www.healthhub.com).

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<sup>3</sup> Participation in the BNSF Medical Program for Medicare-Eligible Retirees is subject to eligibility requirements.

## DEFINED TERMS

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### About These Terms

The following definitions of certain words and phrases will help you understand the benefits to which the definitions apply.

**ERISA** – Employee Retirement Income Security Act of 1974, as amended.

**Account Administrator** – The administrator for the General Purpose HRA, Limited Purpose HRA and HSA is identified in the section titled *Claims and Account Administrators for the Group Benefits Plan* in the chapter of this SPD titled *Administrative Information – Medical and Vision Care Programs for Pre-Medicare Retirees*.



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