

DEDUCTIBLE FUNDING POLICY | CALIFORNIA

An explanation of our guidelines

Offering your clients one of our deductible plans can help them control their health care costs while helping you build your business. You can use the information here to make sure your clients understand our policy on employer funding or reimbursement of member deductibles, copays, or coinsurance.

Help your clients understand our policy on reimbursements

Employers often want to help their employees pay for the care they get. However, deductible payments, copays, and coinsurance are always the employee's financial responsibility. Our deductible plans are designed and priced based on the assumption that members will share the costs for their care.

Employers who offer reimbursements to their employees for deductible payments, copays, or coinsurance can affect how members use their plans. These changes in utilization can invalidate the assumptions we make to establish our plan benefits and pricing, and may result in higher monthly bills for all plan members.

As a result, Kaiser Permanente restricts employers from funding or directly reimbursing employees for their costs for care, except through the options outlined below.

For more information about our policy on employer funding for deductible plans, contact your Kaiser Permanente representative. To get details on our deductible plans, or about HRAs, HSAs, and our other Health Payment Account options, go to account.kp.org.

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What are the restrictions on employer deductible funding arrangements?^{1,2}

- ▶ **Small businesses** – Small group employers may not fund or directly reimburse members for any deductible payments, copays, or coinsurance except through one of our HSA-qualified HDHP HMO plans or one of our deductible plans with HRA. Small group employers in violation of our deductible funding policy may be subject to termination or nonrenewal.³ Reimbursements of employees' costs for care through employer contributions to flexible spending accounts (FSAs) or limited-purpose FSAs aren't permitted.

If brokers advise small business clients to fund or directly reimburse employees for deductible plan expenses in violation of our policies, Kaiser Permanente may withhold sales commissions or rewards compensation associated with such clients in accordance with the terms of the broker agreement. If we discover that a broker has repeatedly violated this policy, we may immediately terminate the broker agreement in accordance with the terms of such agreement.

- ▶ **Large businesses** – Kaiser Permanente now allows large group employers to fund up to \$750 of the plan deductible without additional cost – as long as that amount does not exceed 60% of the total deductible. If a large group employer funds or directly reimburses employees for deductible payments (beyond the authorized limits) or any copays or coinsurance, or any other amount that applies toward the employees' annual out-of-pocket costs, the broker must inform his or her Kaiser Permanente representative before any reimbursement starts.⁴ We'll adjust the business's new or renewal rate quote to account for the funding arrangement.

How can employers help their employees cover health care costs?

Offering a deductible plan paired with an HRA or HSA can be an effective way for employers to help their employees cover their costs for care. Please make sure your clients understand that:

- ▶ Employers who choose a Kaiser Permanente deductible HMO plan with HRA must contribute to their employees' HRAs.⁵
- ▶ Employers can fund an employee's HSA only if the employee is enrolled in a Kaiser Permanente HSA-qualified High Deductible Health Plan (HDHP) HMO plan. Contributions must be made according to federal tax laws for HSAs.⁶

How we respond to repeated violations

If we discover that a broker has repeatedly violated this policy, we reserve the right to immediately terminate the broker agreement.

¹The restriction in our deductible funding policy has been in effect since February 1, 2008. Therefore all group deductible plans and/or direct reimbursement arrangements with effective dates on or after February 1, 2008, will be subject to our policy restrictions. The Kaiser Permanente enforcement action listed above, however, became effective January 1, 2009.

²For allowable HRA contribution limits, please contact your Kaiser Permanente representative.

³Not applicable to small business PPO medical plans.

⁴This includes direct monetary payments, employee reimbursements provided through the use of third-party products such as payment cards, gap, or bridge products, or other alternative funding arrangements intended to offset or reimburse an employee's cost of care.

⁵Kaiser Permanente will adjust the new or renewal rate quotes for employers funding an HRA.

⁶Kaiser Permanente will adjust the new or renewal rate quotes for employers funding an HSA.