

PRODUCER UPDATE



BlueCross BlueShield of Illinois

300 East Randolph Street • Chicago, Illinois, 60601

To: Blue Cross and Blue Shield of Illinois Producers
From: Peter B. Rodes, Divisional Vice President, Consumer Markets
Date: August 21, 2006
Subjects: New BlueEdgeSM Individual HSA Options Available

New BlueEdge Individual HSA* 100% Coinsurance and \$1,050 Deductible – An Attractive Option for Your Current and Future Customers

We are now offering a 100% coinsurance option for all BlueEdge Individual HSA deductibles and the \$1,050 deductible is now available for both our 100% and 80% coinsurance levels. We have indexed the \$1,050 deductible, so it will automatically rise with IRS guidelines.

The deductible choices for individuals for both the 100% and 80% coinsurance levels include: \$1,050; \$1,750; \$2,600; \$5,000 is available for 100% only. For families, the choices include: \$2,100; \$3,500; \$5,200; \$10,000 is available for 100% only. These changes make the BlueEdge product an attractive option for your customers.

Also, the BlueEdge Individual HSA plans are now available to children on an individual basis. Remember that to be eligible for an HSA, individuals cannot be claimed as a dependent on someone else's tax return. In addition, any individual under age 65 who is covered by a qualified high deductible health plan and who is not entitled to or covered by Medicare or other health insurance, including an unlimited health reimbursement account (HRA) or health flexible spending account (FSA), generally qualifies.

The 100% coinsurance option was developed as a result of Producers' feedback. In the future, we hope that you continue to provide suggestions like this so our changes reflect your business needs. We are committed to growing your business.

The BlueEdge sales materials and the individual Under-65 rate book have been updated to reflect these new offerings and are available for printing at the Producer Web site, www.bcbsil.com/dmagents. The updated illustration software is now available for downloading at the Producer Web site. Please begin to use these new materials for new BlueEdge business effective immediately. Old applications will not be accepted after October 21, 2006.

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Earn First Year Commissions on the Movement of Your High Deductible Plan Customers to any of Our Under-65 Products with No Underwriting

As you know, we are no longer offering the High Deductible Plan (HDP) because we want your customers to enjoy the benefits of our new products. When you transfer an HDP customer over to our BlueEdge Individual HSA products or any of our other Under-65 plans, they can take advantage of BCBSIL contracted provider discounts and, in most cases, lower premiums. We feel so strongly about our new products that we have initiated a commissions program for Producers who transfer their HDP customers to any one of our other Blue Cross and Blue Shield products. When you transfer an HDP customer, you'll earn first year commissions and your customer will be accepted without any underwriting or evidence of insurability. Furthermore, your customers won't incur any new pre-existing condition or waiting period. Any deductible previously met will be carried over to the new policy. Premiums will be based on the renewal rate available to the customer for the plan and deductible selected.

We've made the transfer process easy. Simply complete a plan change application with your client and return the form to Hallmark. These applications can be found on the Producer Web site, www.bcbsil.com/dmagents, and easily downloaded and printed. For BlueEdge HSA products use form 30205.0306 IL and for all other Under-65 products use 30157.0306/OB4130 Rev 3/05. As always, for those members who wish to apply for new business rates, they may complete a new application and go through the underwriting process.

If you have any questions about BlueEdge Individual HSA plan benefits, deductibles or rates, please contact Hallmark for assistance at 1-888-313-5526, 8 a.m. – 5 p.m., Monday-Friday. The toll-free number is staffed by insurance professionals who can assist you with your Under-65 business needs.

Sincerely,



Peter B. Rodes
Divisional Vice President, Consumer Markets
Blue Cross and Blue Shield of Illinois

* Please be reminded that Health Savings Accounts (HSA) have tax and legal ramifications. Blue Cross and Blue Shield of Illinois, does not provide legal or tax advice, and nothing herein should be construed as legal or tax advice. These materials, and any tax-related statements in them, are not intended or written to be used, and cannot be used or relied on, for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the promotion or marketing of the transaction(s) or matter(s) addressed by these materials. Your customers should seek advice based on their particular circumstances from an independent tax advisor regarding tax consequences of specific health insurance plans or products.