

**OVERVIEW OF
RETIREE MEDICAL
PROGRAM OPTIONS
(PRE-MEDICARE
RETIREES)**

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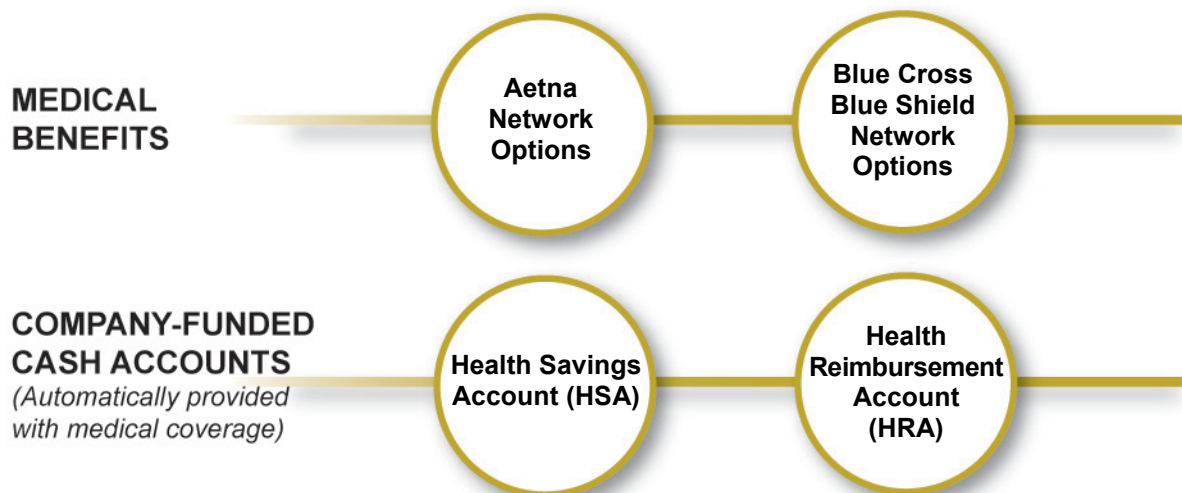
MEDICAL BENEFITS OVERVIEW – PRE-MEDICARE RETIREES

The Big Picture

*An Overview of the BNSF Medical Program
for Pre-Medicare Retirees*

Effective January 1, 2012

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 and health counseling) 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.
- ▶ **Your company-funded Health Savings Account (HSA)**¹ helps you pay for any out-of-pocket costs.

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



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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.

In addition to its funding from BNSF, the 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 You and Your Spouse Are Both BNSF Salaried Retirees

If you and your wife or husband are both salaried retirees of BNSF, you cannot “double cover” each other or your children under the Medical Program. One of you may choose retiree + family coverage while the other takes no coverage, or one of you may elect retiree + child(ren) coverage while the other chooses retiree only coverage.

¹ Or Health Reimbursement Account (HRA) if applicable.

MEDICAL PROGRAM 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 U.S. Internal Revenue Service (IRS) “dual coverage” rules do not allow you – the retiree – to participate simultaneously in medical coverage that includes 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.² 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

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|---|---|-------------------------|--|-------------------------|
| 1 WHOM TO COVER | Retiree only | Retiree + spouse | Retiree + child(ren) | Retiree + family |
| 2 CHOICE OF TWO DEDUCTIBLES | 1250 / 2500 Deductible Option <ul style="list-style-type: none"> • \$1,250 individual coverage • \$2,500 family coverage | | 2500 / 5000 Deductible Option <ul style="list-style-type: none"> • \$2,500 individual coverage • \$5,000 family coverage | |
| 3 CHOICE OF TWO PROVIDER NETWORKS | Aetna www.aetna.com For network provider list, choose Find a Doctor. For Plan, under Aetna Open Access plans select Aetna Choice POS II (Open Access). | | BlueCross BlueShield (BCBS) www.bcbsil.com For network provider list, select Find a Doctor. Then under Select a Plan, choose Group and then PPO. | |
| 4 CHOICE OF HSA CONTRIBUTIONS <small>(how much you would like to contribute to your tax-advantaged Health Savings Account)</small> | <ul style="list-style-type: none"> • Throughout the year you may choose to make tax-deductible contributions to your Health Savings Account to use for current and future health care costs. • Any contributions you make via deposits to your PayFlex/UMB account are in addition to BNSF’s contributions. | | | |
| Employees with TRICARE, Medicare or LTD Due to IRS rules, retirees enrolled in a government-sponsored health plan such as TRICARE or VA are provided a Health Reimbursement Account (HRA). Regulations do not allow personal contributions to an HRA. | | | | |

² Due to this restriction, BNSF provides a [General Purpose Health Reimbursement Account \(HRA\)](#) to participants enrolled in a government-sponsored health plan such as TRICARE or VA.

Myth and Facts 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

The BNSF Medical Program for Pre-Medicare Retirees automatically offers participants a company-funded, tax-advantaged cash account.

- **A Health Savings Account (HSA)** is the company-provided cash account available to most participants in the Medical Program for Pre-Medicare Retirees. You may use money in your HSA to pay for any eligible health care expenses (medical, prescription drug, dental, vision and hearing). While available through BNSF when you enroll in Medical Program coverage, the HSA is a separate benefit that is not an [ERISA](#) plan.
- **A General Purpose Health Reimbursement Account (General Purpose HRA)** is provided to retirees enrolled in a government-sponsored health plan such as TRICARE or VA. This complies with IRS “dual coverage rules” that prohibit concurrent participation in an HSA.

A Limited Purpose Health Reimbursement Account (Limited Purpose HRA) may be available to some participants in the Medical Program for Pre-Medicare Retirees. This account, which no longer receives contributions from BNSF, holds only the unspent HRA balance of participants whose Medical Program coverage previously included an HRA but who are currently enrolled in Medical Program coverage that comes with an HSA.³

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.

³ *If you are eligible for an HSA, any remaining General Purpose HRA balance will be converted into a Limited Purpose HRA.*

HEALTH SAVINGS ACCOUNT (HSA)

- How You Participate**
- ▶ The HSA is automatically available with your coverage under the BNSF Medical Program for Pre-Medicare Retirees, unless you qualify for a General Purpose HRA (see [General Purpose HRA](#) section of this *Medical Benefits Overview* chapter).
 - ▶ **You must set up your account before it can receive contributions from BNSF or you** (see Account Set-up below).
- 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 after age 65.
- Who Funds It**
- ▶ BNSF contributes an amount determined annually by the company. If you enroll at a time other than at annual enrollment, your HSA takes effect the first of the month coinciding with or next following your enrollment in the BNSF Medical Program for Pre-Medicare Retirees. BNSF’s HSA contribution is prorated, so that you receive one-twelfth of the annual contribution for each full month that you are enrolled in the Medical Program. Note: If you received a company contribution as an active employee at the beginning of the year of your retirement, you will not receive an additional company contribution as a newly enrolled retiree.
 - ▶ You may make voluntary tax-deductible contributions up to the IRS annual contribution limits, which for 2012 are \$3,100 for an individual or \$6,250 for a family of two or more. (The combined amount you and BNSF contribute cannot exceed these IRS limits.)
 - ▶ Retirees age 55 or over may make additional “catch-up contributions” of up to \$1,000/year.
 - ▶ Any voluntary contributions you make to your account are tax deductible.
- Account Set-up**
- ▶ You must establish a new account with the [HSA Administrator](#) before BNSF can fund your account and before you may make voluntary contributions. This applies even if you already have an HSA.
 - ▶ If you fail to set up your HSA, you will forfeit BNSF’s contributions.
 - ▶ By law, only expenses that occur after your account is set up can be paid from the HSA. If you use money from your HSA to pay expenses that you incurred prior to opening the account, the distribution (withdrawal) is subject to income tax and an additional 20 percent penalty.
 - ▶ You must provide a street address to set up your HSA (per federal regulations) although you may specify a P.O. Box as your mailing address.

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| Account Lifespan and Accumulation | <ul style="list-style-type: none"> ▶ An HSA is permanently yours and portable. 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 Administrator for information about available options. |
| Paying Expenses from Account | <ul style="list-style-type: none"> ▶ You request reimbursement, or pay with a provided debit card, using tax-free dollars from your account, up to the current balance in your account. ▶ If you have funds remaining in an HRA, your same debit card will access those funds. (In these cases, you have a Limited Purpose HRA. See the Limited Purpose HRA section of this <i>Medical Benefits Overview</i> chapter for HRA details.) The debit card is a “smart” card, so it will automatically pay expenses for dental and vision services first from 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 | <p>Expenses can be reimbursed for:</p> <ul style="list-style-type: none"> ▶ 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; ▶ 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 IRS.gov > Forms and Publications > Publication 502. |

GENERAL PURPOSE HEALTH REIMBURSEMENT ACCOUNT (GENERAL PURPOSE HRA)

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| How You Participate | A General Purpose HRA is automatically provided with your coverage under the BNSF Medical Program for Pre-Medicare Retirees if you are enrolled in a government-sponsored health plan such as TRICARE or VA. In such a case, IRS “dual coverage rules” prohibit you from participating in an HSA. |
| How You May Use Account | <ul style="list-style-type: none"> ▶ 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. |

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| Who Funds It | <ul style="list-style-type: none">▶ BNSF contributes an amount determined annually by the company. If you enroll at a time other than at annual enrollment, your HRA takes effect the first of the month coinciding with or next following your enrollment in the BNSF Medical Program for Pre-Medicare Retirees. BNSF’s HRA contribution is prorated, so that you receive one-twelfth of the annual contribution for each full month that you are enrolled in the Medical Program. Note: If you received a company contribution as an active employee at the beginning of the year of your retirement, you will not receive an additional company contribution as a newly enrolled retiree.▶ An HRA cannot accept retiree contributions. |
| Account Set-up | No account set-up is required. |
| Account Lifespan and Accumulation | <ul style="list-style-type: none">▶ The account is available as long as you remain enrolled in a BNSF salaried-retiree health care benefit program.▶ Any account balance rolls over each year.▶ The account does not earn interest or investment returns. |
| Paying Expenses from Account | You request reimbursement, or pay with a provided debit card, using tax-free dollars from your account, up to the current balance in your account. |
| Proof of Expense | You must provide the HRA 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: <ul style="list-style-type: none">▶ 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 IRS.gov > Forms and Publications > Publication 502. |

LIMITED PURPOSE HEALTH REIMBURSEMENT ACCOUNT (LIMITED PURPOSE HRA)

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|---|---|
| How You Participate | If you begin participating in a BNSF Medical Program for Pre-Medicare Retirees option that includes an HSA, any balance remaining in a BNSF HRA is converted to a Limited Purpose HRA. |
| How You May Use Account | <ul style="list-style-type: none"> ▶ You cannot use funds from a Limited Purpose HRA to pay expenses that count toward your Medical Program deductible or coinsurance. ▶ You may use a Limited Purpose HRA to pay your share of eligible non-medical expenses, including dental and vision expenses. This includes eligible dental and vision expenses of tax dependents whether or not they are covered by BNSF benefit programs. |
| Who Funds It | <ul style="list-style-type: none"> ▶ The account contains only balances left over from your prior participation in a BNSF medical option that included an HRA. ▶ No amounts may be added to a Limited Purpose HRA. |
| Account Set-up | No account set-up is required. |
| Account Lifespan and Accumulation | <ul style="list-style-type: none"> ▶ The account is available as long as you remain enrolled in a BNSF salaried-retiree health care benefit program. ▶ Account balance rolls over each year. ▶ The account does not earn interest or investment returns. |
| Paying Expenses from Account | You request reimbursement, or pay with a provided debit card, using tax-free dollars from your account, up to the current balance in your account. |
| Proof of Expense | You must provide the HRA 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 | <p>Expenses can be reimbursed for:</p> <ul style="list-style-type: none"> ▶ 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 [IRS.gov](https://www.irs.gov) > Forms and Publications > Publication 502.

WHOM TO CALL ABOUT YOUR BENEFITS



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 healthhub.com.

DEFINED TERMS

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.

HRA Administrator – The administrator for the General Purpose HRA and Limited Purpose HRA is identified in the section titled *Claims Administrators for the Group Benefits Plan* of the chapter of this SPD titled *Administrative Information – Medical Program for Retirees*.

HSA Administrator – The administrator for the HSA is identified in the section titled *Claims Administrators for the Group Benefits Plan* of the chapter of this SPD titled *Administrative Information – Medical Program for Retirees*.



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