



October 5, 2005

TO ALL QS EMPLOYEES:

I'm writing to share some important information with you concerning our company-sponsored health plan. Effective January 1, 2006 Quantum Services is making a structural change to the health plan we offer. After much research and careful planning we have decided to change our health plan from a traditional PPO plan to a Health Savings Account (HSA) plan.

A Health Savings Account plan will give you more control over your health care and allow you to save money for future health care expenses. Health Saving Accounts are very different from what you are accustomed to. It is important that you take some time to familiarize yourself with this type of plan. There are two key components to a Health Savings Account:

1. HIGH DEDUCTIBLE HEALTH PLAN (HDHP)

- ❖ HDHP will be offered through our current administrator BAC TPA.
- ❖ Your network of doctors and hospitals will not change.
- ❖ HDHP is your **catastrophic insurance plan** protecting you from large expenses.
- ❖ Our plan will have an out of pocket expense of \$2,000 single in-network and a \$4,000 family in-network (the current plan has a \$2,500 single and \$7,500 family). After the out-of-pocket expense is met, in-network benefits will be paid at 100%. There is a separate out-of-pocket maximum for out-of-network benefits.
- ❖ Preventative Care will be paid at 100% for up to \$500 per calendar year per covered person. Preventative care such as mammograms, prostate exams, physicals and prenatal care are included at 100% without paying the deductible first.
- ❖ It is important to realize that everything except for preventative care and prenatal care is subject to the deductible first. That includes office visits and prescription drug coverage. We will no longer have co-payments.
- ❖ Please see the enclosed benefit summary for more information.

2. HEALTH SAVINGS ACCOUNT (HSA)

- ❖ A HSA is a consumer-owned, tax-advantaged savings account similar to a 401(k) account, but earmarked for medical expenses.
- ❖ The HSA account will be **your** account. You will be able to take more control over your health care decisions and gain the opportunity to save tax-free for health care expenses now and in the future.
- ❖ You will pay for your health care expenses from your HSA account.
- ❖ Any unused balance in your HSA automatically carries over from year to year and can keep growing through retirement. **Remember it is your money!**
- ❖ The attached financial exhibit will provide you with more information.

In order to ease the transition to an HSA plan we have decided to contribute \$200 to each person's HSA on January 1.

For more information, visit BAC's website www.bactpa.com/quantum/ or contact Tim Carlson at tcarlson@bactpa.com or 800-521-2654 x 3024.

- Bill Sjoblom

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QUANTUM SERVICES HEALTH PLAN FINANCIAL FACTS:

- ✦ 75% of all Quantum Services employees and their dependents spend less than \$1,000 per person per year for covered health plan services.
- ✦ The average person (employee or dependent) uses 11 prescriptions per year. In terms of prescription co-payments out of your pocket the average person spends \$200 per year.
- ✦ The average family visits the emergency room once per year and spends \$75 for the emergency room co-payment.
- ✦ The average person (employee or dependent) visits the doctor's office twice per year and spends \$40 for two \$20 office visit co-payments.
- ✦ **In summary, the average person spends approximately \$250 per year out of pocket in co-payments. The average family spends \$1,075 per year out of pocket in co-payments.**

In effect, each person has been spending an average \$250 per year for co-pays in addition to the premium cost paid biweekly to QS. We STRONGLY recommend that each person increase their biweekly deduction to put this money into their HSA every payroll. This would work a lot like being on a budget plan for utilities...you pay a little more every month so that you have more money to pay unexpected bills in the future.

HERE IS A LOOK AT CURRENT HEALTH CARE SPENDING AT QS:

A	CURRENT PAYROLL DEDUCTIONS FOR HEALTH INSURANCE	PLUS AVERAGE OUT-OF-POCKET EXPENSES	TOTAL COST	SAVINGS AVAILABLE
Single	\$45 x 26 periods = \$1170	\$250	\$1420	\$0
Double	\$90 x 26 periods = \$2340	\$500	\$2840	\$0
Family	\$140 x 26 periods = \$3640	\$1075	\$4715	\$0

THIS IS THE RECOMMENDED PAYROLL DEDUCTIONS AND POTENTIAL SAVINGS IN 2006:

B	RECOMMENDED PAYROLL DEDUCTIONS	YOUR PAYROLL DEDUCTIONS GO TOWARDS PAYMENT OF YOUR HEALTH INSURANCE AND CONTRIB. INTO YOUR HEALTH SAVINGS ACCOUNT	QS ONE-TIME CONTRIBUTION	\$ FOR OUT-OF-POCKET EXP. AND POTENTIAL SAVINGS
Single	\$55	For insurance: \$520 (\$20 x 26 periods) For savings account: \$910 (\$35 x 26 periods)	\$200	\$1110
Double	\$110	For insurance: \$1040 (\$40 x 26 periods) For savings account: \$1820 (\$70 x 26 periods)	\$200	\$2020
Family	\$170	For insurance: \$1560 (\$60 x 26 periods) For savings account: \$2860 (\$110 x 26 periods)	\$200	\$3060

As you can see your contributions into your health savings account will provide you with a significant amount of money to spend for office visits, prescription drug coverage etc... during the year. Based on past usage, approximately 75% of employees in our plan will have money left over in their account at the end of the year. Remember any surplus in your account at the end of the year will carry forward to the next year!

You are allowed to contribute up to your out of pocket amount into your HSA account. You are encouraged to contribute additional monies into your account in order for you to take advantage of the pretax basis.