

**Blue Points Taxation Reporting Frequently Asked Questions
November 4, 2009**

Starting with 2010 effective dates, BCBSNC will track the retail value of Blue Points incentives redeemed by members. This allows BCBSNC to report the potential tax implications of these incentives as required by law. For underwritten and ASO groups, the default method is 1099 tax reporting; ASOs may also elect W-2 redemption reporting.

Why

Why is BCBSNC implementing taxation reporting now?

BCBSNC has recently enhanced the Blue Points program by offering more points opportunities and higher-value incentive items. This increases the likelihood that members will generate \$600 or more in redemptions within a given calendar year. In addition, gift cards, which are considered cash by the IRS, were introduced as an incentive option.

Why does BCBSNC report only \$600 and over to the IRS on 1099s?

Tax law requires that a 1099 must be issued to persons who redeem \$600 or more in non-employer income within one tax calendar year.

Why are underwritten groups only allowed the 1099 option?

As payer of the wellness incentives for underwritten groups, tax law requires BCBSNC to issue 1099s to persons who redeem \$600 or more in non-employer income within one tax calendar year.

Why are kids and teens points reset to zero prior to the new effective plan year?

To ensure dependent minors (kids ages 6-12 or teens ages 13-17) do not receive a tax form, they will not be allowed to bank their points accrued. Their point balances will be reset to zero at midnight prior to the first day of the employer groups effective plan year.

Why do kids and teens see tax messaging at all?

Even though a dependent minor will never receive a tax form, BCBSNC is legally required to inform all members of potential tax implications regardless of age.

How

How will our employees know that the incentives will be reported?

Beginning November 9, 2009, members will see messaging within the Blue Points website that explains the taxation implications of their redeemed incentive items.

How will we obtain the W-2 reports?

Your group's W-2 (incentive redemption) reporting will be available via a new Blue Points Administration website that you will access directly. The BCBSNC Blue Points Program Administrator will work with your Group Administrator to provide a user name and password and to answer any questions you may have.

How often can we obtain W-2 reporting?

The W-2 reporting will be available via your account representative. You will have the ability to choose an appropriate date range when generating the report. The year-end group report will be available within 5 days of the tax year-end date (the tax year for W-2 reporting runs from November 1 through October 31).

What is the report format, and what can I do with it?

The W-2 reports are generated in Excel format, and they can be downloaded, saved, and printed.

What information can I expect to see on the W-2 report?

The W-2 report contains each redemption item (description), redemption amount, employee full name, address, and social security number.

What should I do with the information on the W-2 report?

ASO groups that elect the W-2 reporting option should consult their taxation professional for consultation on the proper employee taxation treatment.

What if

What if our employees do not wish to furnish their tax information?

At the appropriate time in the redemption process and under the appropriate conditions*, a screen will prompt the member to enter their tax information on the Blue Points website. If the member chooses not to furnish this information, the Blue Points website will not allow them to continue the check-out process, and thus the member will not be able to redeem their incentive item(s).

*For the 1099 tax election, the first time a member attempts to redeem an incentive or incentives that bring their cumulative total for the current tax / calendar year to \$600 or greater in value, the member will be prompted to enter tax information. For the W-2 tax election, the member will be prompted upon their first incentive redemption.

What is the process if we want to change from W-2 to 1099? 1099 to W-2? Is it possible to change taxation methods in the future?

Although 1099 is the default tax reporting mechanisms for ASO and underwritten groups, ASO groups will have the option to elect W-2 during the sales and enrollment process. Likewise, switching the election type for ASO groups from W-2 to 1099 occurs during the annual enrollment process. Underwritten groups cannot elect W-2 tax reporting.

Can we opt out of 1099 or W-2?

Tax law requires that a 1099 must be issued to persons who redeem \$600 or more in non-employer income within one tax calendar year; therefore employer groups do not have the ability to opt out of tax reporting.

What if an employee terminates? Will the employee be on the W-2 report (if in a W-2 group)? Will he or she still get a 1099 (if in a 1099 group)?

The employee will receive either a 1099 form, if redeeming \$600 or more within a calendar year, or will be listed on the W-2 report for the time they were employed during the respective tax calendar year, if the employer selected W-2 reporting.

When

When will members start receiving 1099s?

The tax year for 1099 groups is January 1 through December 31. 1099s will be mailed to members by BCBSNC by January 31 following the tax year.

When are the dollars reported, upon earning or upon redemption?

For 1099 members, dollars are reported *for cumulative redemptions of \$600 or more* in incentives within one tax calendar year. The tax year for 1099 groups is January 1 through December 31.

For W-2 members, dollars are reported *for all redemptions* of incentives within the W-2 tax year. The tax year for W-2 groups is November 1 through October 31.

Who

Who do our employees call if they have any questions?

Employees should call the BCBSNC customer service number on the back of their membership card with any questions regarding the Blue Points Program. For tax-related questions or advice, employees should contact their Group Administrator or consult their personal tax advisor.

Who do we call if we have any questions?

Employer groups that have questions concerning the Blue Points Program should call their BCBSNC account representative.

The BCBSNC account representative should contact the Blue Points program administrator.

How can we troubleshoot an employee's inquiries regarding the information shown on the 1099 form?

For inquiries regarding the accuracy of the information contained within the report or for troubleshooting technical issues within the Blue Points Administration website, employer groups should contact their BCBSNC sales representative, who will contact the Blue Points Program Manager for assistance.

In addition, employer groups should contact their BCBSNC sales representative for any W-2 inquiries.

How can I troubleshoot the information that is reported on the W-2 report?

For inquiries regarding the accuracy of the information contained within the report or for troubleshooting technical issues within the Blue Points Administration website, employer groups should contact their Account Executives, who will contact the Blue Points Program Manager for assistance.

In addition, employer groups should contact their BCBSNC Account Executive for any W-2 inquiries.