



Costco Employee Benefits Program

Effective January 1, 2006

Highlights Booklet



Introducing Your Costco Employee Benefits Program

REAL LIFE BENEFITS FOR THE REAL WORLD

They say that life is a journey, made up of many events, big and small. Marriage or divorce ... children ... a change of jobs ... illness or injury ... getting older ... these are real life events that happen to real people in the real world.

The point is, happy or sad, exciting or stressful, each event offers special challenges – and often that means financial challenges. That’s where the Costco Employee Benefits Program comes in. It includes programs that can help you and your family handle many financial issues you may face in your lives.

For example:

- The high cost of medical, dental and other healthcare
- Loss of income if you become disabled
- Your family’s economic well-being if you die
- Day in, day out costs of paying for care of your dependents while you work
- Healthcare expenses you pay out of your own pocket for yourself and your family
- A time when you may need to pay for help with activities of daily living

Maybe you’ve just begun your journey with Costco. Or, perhaps you’re well along the path of your career with us. In either case, you owe it to yourself to learn more about the benefits available to you as an eligible employee – and how those benefits can work in your life. Let this Highlights Booklet be your map to the wide world of Costco employee benefits.

This booklet updates or highlights only certain Plan provisions – it must be read in conjunction with the underlying Summary Plan Description. This is not a promise of employment or guarantee to continue employment for any length of time. Costco through the Benefits Committee, has the right, at anytime, to amend, modify, revoke or terminate the Plan or any of the benefits discussed in here, in whole or in part. If there’s a discrepancy between this Highlights Booklet and official Plan documents or contracts, the underlying Plan documents and insurance contracts will determine Plan provisions and benefits payable. These are available from the Costco Employee Benefits Department. Officers and employees of Costco at the various warehouse locations and third parties are not authorized to represent the Plan Administrator or to speak on behalf of the Plan. The Plan is not bound to any oral or written communication that conflicts with Plan documents.

THIS BENEFITS HIGHLIGHTS BOOKLET is just a brief look at the Costco Employee Benefits Program. It’s designed to be a companion to the Costco Employee Benefits Program Booklet (also known as a Summary Plan Description or SPD) – one of your most important benefit information resources.

Be sure to refer to your Employee Benefits Program Booklet, and any updates, when you want to learn more about your benefits. You’ll receive a copy when you first become eligible for benefits. Employee Benefits Program Booklets are also available from your location’s payroll or Benefits Representative, or online on the Costco Intranet.

Your Map to the World of Costco Benefits

Section	Page
Benefit Information Resources	
Have questions about your benefits? This is where to go to get answers.	3
Eligibility and Enrollment	
Once you're eligible, Costco offers you a world of valuable benefits. Here's what it takes to become eligible, how to enroll for the benefits of your choice, and how you and Costco may share in the costs of your coverage.	4
Medical and Other Healthcare Plans	
What could be more important to your life than affordable healthcare coverage? When you choose a Costco medical plan, your choice includes several additional healthcare plans – at no extra cost to you.	10
Medical Plans	12
MANAGED CHOICE AND MANAGED CHOICE FOR PART-TIME EMPLOYEES	13
FREEDOM OF CHOICE	14
VISION CARE PLAN	18
PRESCRIPTION DRUG PROGRAM	19
EMPLOYEE ASSISTANCE PLAN (EAP)	20
MENTAL HEALTH AND SUBSTANCE ABUSE PLAN	20
WHAT'S NOT COVERED	22
Dental Plans	
As we all know, good dental care is one key to a healthy life. Choose a medical option, and you're welcome to enroll in any available dental plan.	23
CORE AND PREMIUM DENTAL PLANS	24
MANAGED DENTAL PLAN	24
WHAT'S NOT COVERED	25
Disability Plans	
If you're ever unable to work due to disability, that could seriously disrupt your life – and your finances. These plans can replace a portion of your lost income until you're ready to get back on your feet.	26
VOLUNTARY SHORT TERM DISABILITY	27
LONG TERM DISABILITY	27
WHAT'S NOT COVERED	28
Survivor Benefit Plans	
If anything ever happens to you, these plans can help make sure your family can go on with their lives – just the way you would want them to.	29
BASIC LIFE INSURANCE	30
SUPPLEMENTAL LIFE INSURANCE	30
BASIC AND SUPPLEMENTAL AD&D INSURANCE	31
BUSINESS TRAVEL ACCIDENT	33
Reimbursement Accounts	
Chances are, out-of-pocket costs for dependent care or healthcare expenses are a fact of life for you. Here are two simple, convenient and rewarding ways to save money on what you pay.	34
DEPENDENT CARE ASSISTANCE PLAN (DCAP)	35
HEALTHCARE REIMBURSEMENT ACCOUNT	35
Long Term Care Plan	
Sometime in your life you may need ongoing help with everyday activities. Long Term Care is expensive now – and likely to get even more costly in the years ahead. That's where this plan comes in – it includes a Basic Benefit plus several Buy-Up options.	37

Your Benefit Information Resources

Costco Employee Benefits Department for general questions about benefits call **1-800-284-4882** weekdays from 7 a.m. to 5 p.m., Pacific Standard Time. Or, log on to www.costcobenefits.com for benefit booklets, forms, online provider directories, a link to Aetna Navigator and a direct e-mail link to Costco's Employee Benefits Departments.

Your location's Payroll or Benefits representative for benefit materials, including plan booklets, documents, printed healthcare provider directories, plus all kinds of forms – including enrollment forms, claim forms and beneficiary designation forms.

Employee Benefits Program Booklet, including any updates and addenda, for detailed information about the plans, such as benefits, eligibility, enrollment, plan exclusions and limitations, and filing claims.

Insurance booklets for detailed information about disability, survivor and Long Term Care benefit plans. These plans are insured, which means Costco has signed contracts with various insurance companies to provide benefits. To obtain insurance booklets or contracts, contact Costco Benefits Department.

Your personal tax advisor to discuss tax issues related to your benefits. The fact is, many Costco benefit programs offer tax advantages – and that can be a definite plus for you. The trade-off is, as described throughout this Highlights Booklet, the programs and their benefits are often subject to strict Internal Revenue Code rules. Your tax advisor can help you sort out what these rules might mean in your personal situation.

Need to Know More?

For specific benefit and claims information, contact:

AETNA

www.aetn navigator.com

Informed Health Line
*24 hour – 7 days a week access
to a registered nurse at Aetna* **1-800-556-1555**

Medical, Pharmacy, Health Care
Reimbursement Account and
Dependent Care Reimbursement Account ... **1-800-814-3543**

Core and Premium Dental (PPO) **1-800-218-1458**

Managed Dental (DMO) **1-800-843-3661**

Vision Voucher..... **1-800-941-5542**

*Employees enrolled in HMSA of Hawaii will be provided
prescription drug coverage through Aetna.*

www.costcobenefits.com

Information about your benefits online.

HMSA

PPO and HMO plans..... **1-800-776-4672**

Unicare – EAP

www.unicare.com/youreap

Employee Assistance
and WorkLife Program **1-800-999-7222**

UNUM

1-877-403-9348

Short Term Disability (STD)
Long Term Disability (LTD)
Long Term Care (LTC)
Basic and Supplemental Life Insurance
Basic and Supplemental AD&D

Costco Employee Benefits Department

e-mail: benefits@costco.com

Costco Employee Benefits Department **1-800-284-4882**

Your Map to Costco ...

BENEFITS ELIGIBILITY AND ENROLLMENT

Now it's time to start learning about your Costco employee benefits and how they can work in your life. To get you started on your journey, here's some general information about who's eligible, how to enroll and what you'll pay for your coverage.

Remember, since these are just highlights, be sure to refer to your Employee Benefit Program Booklet for more details about who's eligible, who's not, maintaining eligibility for part-time employees, enrolling a domestic partner, making mid-year election changes, and practically anything else you want to know about eligibility and enrollment.

ELIGIBILITY FOR BENEFITS

For you The benefits described in this booklet are for all eligible U.S. employees (except in Puerto Rico). This includes you if you work an average of 20 hours or more per week and you are a regular:

- Salaried employee
- Full-time hourly employee or
- Part-time employee

Examples of employees who are not eligible include seasonal employees (except in Hawaii), limited part-time employees, independent contractors, leased employees, temporary employees, interns or college program participants.

Maintaining your eligibility Briefly, here's how Costco figures whether you've maintained enough hours to stay eligible for most benefits:

- We divide the year into two measurement periods, each made up of 13 biweekly pay periods. While specific starting and ending dates for these periods vary based on payroll dates, one period runs from March through August, the other from September through February.
- At the end of each period, we add up all the hours for which you've been paid (excluding sick leave payoff).
- We divide your total number of paid hours by the number of weeks in the period.
- If that total averages out to 20 hours or more, you'll continue to be eligible for benefits during the following measurement period.

Note that, in determining your average hours, we take into consideration a variety of factors such as hire date, any time you've spent on an approved leave of absence and business closures due to natural disasters.

In addition to measuring part-time hours for eligibility, effective March 15, 2004, Costco will begin measuring full-time hours. Full-time employees are required to maintain an average of 34 paid hours a week to remain eligible for the full-time benefit plans. The measurement process is the same as the process outlined for maintaining your eligibility with one exception:

- If that total averages out to less than 34 hours your benefit status will be changed.

Medical plan options for part-time employees If you first became eligible for Costco medical benefits:

- On or after October 1, 2003, your only option is Managed Choice for Part-Time Employees. This includes employees who were already enrolled in Managed Choice for Part-Time Employees on October 1, 2003.
- Before October 1, 2003, you'll have exactly the same medical plan choices as full-time employees through 2006. Starting January 1, 2007, if you're still an eligible part-time employee, you'll be limited to Managed Choice for Part-Time Employees.

ELIGIBILITY AND ENROLLMENT AT A GLANCE

- Eligible employees include salaried, full-time hourly and part-time employees who work at least an average of 20 hours per week
- Eligible family members include spouses, domestic partners and children
- When your benefit coverage may begin depends on your employee classification – salaried, full-time hourly, or part-time
- Initial enrollment is your first chance to make benefit elections as an eligible employee. After that, you may change elections during annual open enrollment held once per year
- Mid-year benefit changes may be made following certain major changes in your job or family circumstances
- Costco pays in full for some employee benefit programs, you and Costco share in the cost of some, and you pay the full cost of elective benefits
- Your contributions are withheld before-tax for healthcare and certain other coverage – and that can mean more take-home pay for you, compared to paying the same amounts after-tax

ELIGIBLE CHILDREN MAY INCLUDE ...

- Your natural, adopted or stepchildren
- Your children for whom you must provide coverage under a Qualified Medical Child Support Order (QMCSO)

For your family If you're eligible for Costco benefits, so are these members of your family:

- Your spouse or domestic partner
- Your unmarried children through age 18 (through age 22 if full-time student at an accredited school) and are eligible to be claimed as your dependents on your federal income tax return.
- Your unmarried dependent children over age 19 who can't support themselves because they're disabled – provided they meet certain requirements, for example, became disabled before age 19 and were enrolled for Costco benefits at that time.

Eligibility for stepchildren You may enroll your eligible stepchildren for Costco benefits.

To be eligible, your stepchildren must meet several specific requirements. These are spelled out in detail in the Declaration of Plan Eligibility for Stepchild, which you'll have to sign and return.

Contact your location's payroll or Benefits representative for a stepchild information package.

Eligibility for domestic partners You may enroll your eligible domestic partner for Costco benefits. If you enroll your domestic partner, you may also enroll his or her dependent children.

To be eligible, your domestic partnership must meet several specific requirements. These are spelled out in detail in the Declaration of Domestic Partnership which you'll have to sign and return, along with proof of your partnership, when you enroll.

Contact your location's payroll or Benefits representative for a domestic partner information package. This includes all the forms you need and a description of special eligibility, enrollment and tax rules that apply when you enroll domestic partners.

Eligibility for legal guardianship If you have legal guardianship of your grandchild, sibling, niece or nephew you may enroll your eligible dependent for Costco benefits.

To be eligible, you must meet several specific requirements. These are spelled out in detail in the Declaration of Legal Guardianship which you'll have to sign and return, along with proof of your legal guardian status.

Contact your location's payroll or Benefits representative for a legal guardianship information package. This includes all the forms you need and a description of the enrollment requirements.

Providing proof of your family's eligibility The first time you enroll family members, you'll have to provide acceptable proof of their relationship to you. Types of "acceptable proof" are listed in the

Employee Benefits Program Booklet and on the back of your Benefits Enrollment form.

WHEN COVERAGE MAY BEGIN

For you If you're an eligible employee, your coverage for most Costco benefit programs may begin as follows:

- Salaried employees and full-time hourly pharmacists, the first of the month after date of hire.
- Full-time hourly employees, the first of the month after 90 days of service.
- Part-time employees, the first of the month after 180 days of service.
- Hourly Hawaii employees, the first of the month after four weeks of continuous service, in which they worked a minimum of 20 hours or more.

For your family In most cases, coverage for enrolled family members begins when your coverage begins.

ELECTING YOUR BENEFITS

Initial enrollment After you start work as an eligible employee, initial enrollment is your first chance to elect coverage under most Costco benefit plans. Choices you make during initial enrollment go into effect when your coverage begins and run through the end of December.

Your location's payroll or Benefits representative will let you know when your eligibility for benefits is getting near. At that time, your representative will supply all the forms and information you'll need to complete initial enrollment.

Enroll on time – don't default! You must submit all required enrollment forms within 30 days after your benefit coverage is due to begin. If you don't, you'll automatically get default coverage – with no say in the matter. With default coverage, you'll pay for your share of the cost of coverage through payroll deduction.

You may only change default coverage following an appropriate change in status, as described on page 8, or during annual open enrollment.

During the initial enrollment period, I need to submit ...	Here's why ...
1. Costco Employee Benefit Enrollment/Change Form	To elect or decline ... <ul style="list-style-type: none"> • Medical plan coverage • Dental plan coverage • Supplemental AD&D coverage • Short-Term disability, if applicable Also to ... <ul style="list-style-type: none"> • Enroll my family • Choose a PCP for Managed Choice medical, if applicable • Choose a Primary Care Dentist or Dental Clinic, if applicable • Name my beneficiaries for Basic Life, Supplemental Life, Basic AD&D and Supplemental AD&D • Indicate I want to elect Supplemental Life • Indicate I want to participate in the DCAP
2. Proof of my family relationship	As described on the back of the Costco Benefit/Enrollment Form, to show that my enrolled family members meet the plan's definition of eligible dependents
3. Declaration of Plan Eligibility for Stepchild	To enroll my stepchildren who meet the criteria on the declaration
4. Declaration of Legal Guardianship and Dependent Status	To enroll my niece, nephew, grandchild, brother or sister for whom I serve as a legal guardian
5. Declaration of Domestic Partnership	To enroll my domestic partner and my partner's children for Costco coverage along with proof of eligibility
6. Certificate of Creditable Coverage (HIPAA Certificate)	For myself and my enrolled family members, to prove we had previous medical coverage that counts as credit toward the Costco medical plan's waiting period for pre-existing conditions
7. Decline Coverage Acknowledgement Form	To confirm I do not want medical, if I elected to decline this coverage on the Benefit Enrollment/Change Form
8. Supplemental Life Application Form	To elect my coverage amount, if I chose Supplemental Life on my Employee Benefits Enrollment/Change Form
9. Evidence of Insurability Form	As a statement of good health, if I've elected Supplemental Life coverage for myself or my spouse or domestic partner that exceeds "guaranteed amounts"
10. Reimbursement Account Forms	To indicate how much I want to contribute to the Dependent Care Plan. <i>I understand I won't be eligible to enroll for the Health Care Reimbursement Account until the next annual open enrollment.</i>

Annual Open Enrollment Annual Open Enrollment is held toward the end of each calendar year. This is your chance to change your current benefit choices. During Annual Open Enrollment, you can make your elections online or over the phone, using a special Interactive Voice Response system. Your elections will go into effect for the next plan year, January 1 through December 31.

If you don't enter any elections during annual open enrollment, for the next plan year:

- Most of your current benefit elections will continue "as is" but
- You won't be able to participate in the Reimbursement Accounts. That's because, by law, you must re-enroll to continue participation in either Account from one year to the next.

AS DESCRIBED LATER IN THIS HIGHLIGHTS ...

- Special eligibility dates apply to the Healthcare Reimbursement Account, Voluntary Short Term Disability, and Long Term Care plans and
- Each benefit plan in the Costco Employee Benefits Program has special enrollment rules.

DEFAULT COVERAGE INCLUDES ...

- Medical, employee only: Managed Choice plan or, if you're a part-time employee, Managed Choice for Part-Time Employees
- Dental, employee only: Core Dental
- Basic Life, employee only
- Basic AD&D
- Long Term Disability

Also, you and family members may participate in the Employee Assistance Plan (EAP). Plus, if you're salaried, you're automatically covered by the Salary Continuation and Business Travel Accident plans.

Choosing your benefits When you enroll for benefits, you get to pick and choose the coverage that suits you best. Electing medical coverage will give you the widest range of benefit options.

Note: No matter what your election choices, as an eligible employee you and your family may participate in the Employee Assistance Plan (EAP). Plus, if you're salaried, coverage is automatic under the Salary Continuation and Business Travel Accident plans.

If you prefer, you may decline medical or other coverage by completing a special Decline Coverage Acknowledgement form. This offers three options for declining coverage – the one you choose determines which benefits may be available to you:

1. You may decline medical if you are covered by another Costco benefits-eligible employee (your spouse, domestic partner, or parent) as a family member.

You'll have the same benefit options as any other Costco benefits-eligible employee – except your healthcare benefits, including dental, can only be provided through family coverage under your spouse's, partner's or parent's plans.

2. You may decline medical but elect Long Term Disability coverage. If you do, the following benefits are included as part of your benefit package.

- Basic Life and Basic AD&D plans
- Long Term Care plan, Basic Benefit (if you have 10 or more years of service)

And you may elect these benefit plans:

- Supplemental Life and Supplemental AD&D plans
- Voluntary Short Term disability (STD) plan for hourly employees, if available in your state
- Dependent Care Assistance Plan and Health Care Reimbursement Account
- Long Term Care plan, Basic Benefit (if you have less than 10 years of service)
- Long Term Care plan, Buy-Up options

3. You may decline Costco benefits altogether, in which case your only elective option is the Voluntary Short Term Disability (STD) plan – if you're an hourly employee and the plan is available in your state.

IF YOU ELECT MEDICAL COVERAGE, these benefits are part of your benefit package

- Vision, prescription drug, mental health and substance abuse plans
- Basic Life and Basic AD&D plans
- Long Term Disability plan
- Long Term Care plan, Basic Benefit (if you have 10 or more years of service)

... And you may elect these benefit plans ...

- Dental plan
- Supplemental Life and Supplemental AD&D plans
- Voluntary Short Term Disability (STD) plan for hourly employees, if available in your state
- Reimbursement Accounts
- Long Term Care plan (if you have less than 10 years of service)

YOUR COSTS FOR COVERAGE

What you'll pay *You and Costco share* in the cost of some benefits, such as medical and dental coverage. Also, if you decline medical but elect Long Term Disability, you'll pay a share of that cost, too.

You pay in full for elective benefits such as Supplemental Life, Supplemental AD&D, Voluntary Short Term Disability, the Reimbursement Accounts and, under the Long Term Care plan, the Basic Benefit (if you have less than 10 years of service) and Buy-Up options.

Your contributions are deducted from each biweekly paycheck throughout the year – starting with the first biweekly paycheck after your coverage goes into effect. Your paycheck stub shows the deduction for each plan, line by line.

The before-tax advantage Your contributions for medical, dental, elective LTD and the Reimbursement Accounts come out of your paychecks before federal income taxes or Social Security/Medicare (FICA) taxes are withheld.

That works to your advantage because paying before-tax can cut your tax bill. That means you're likely to end up with more take-home pay than if you paid the same amount after tax withholding.

EXAMPLES OF QUALIFIED CHANGES IN STATUS ...

- You get married or divorced, or become legally separated
- Your domestic partnership ends
- You add a new dependent child to your family, for example, by birth, adoption, or placement for adoption
- Your spouse or covered family member dies
- Your covered family member no longer qualifies as eligible
- A change in job status for you, your spouse or your eligible family member, for example, employment starts or ends or you go from part-time to full-time or vice versa

For more details about qualified changes in status, be sure to refer to your Employee Benefits Program Booklet. Of course, feel free to contact Costco Employee Benefits Department to discuss benefit change options available for your personal situation.

Making mid-year changes

Other than annual open enrollment, you may change your current benefit elections only after you have certain qualified changes in your family or work status.

To comply with federal regulations, strict limits apply to why, when and how you can make mid-year changes following a change in status.

For example:

1. Changes must be consistent. Any changes you make to your benefit elections must be consistent with your change in status. For instance, say your spouse loses coverage under another employer's medical plan. It might be consistent to enroll him or her in your Costco medical plan – but probably not to drop your Costco coverage altogether.

2. There are deadlines for making changes. Benefit changes you make within the applicable deadlines are retroactive to the date of the event. These deadlines are:

- **30 days** for most changes in status such as marriage, divorce or legal guardianship
- **60 days** after you acquire a newly eligible dependent child, as a result of birth, adoption or placement for adoption.

If you don't enroll newly eligible family members within this deadline, there may be certain consequences – for example, their coverage won't begin until the first of the month after you submit the necessary enrollment materials.

3. Mid-year changes to the Health Care Reimbursement Account are not allowed. You can only change your elections or enroll for this plan once a year, during annual open enrollment.

4. Most qualified changes in status do not allow you to add a domestic partner.

YOUR ACTUAL BI-WEEKLY CONTRIBUTION AMOUNTS are shown on the Costco Benefit Rate Booklet, provided during initial enrollment and Annual Open Enrollment periods.

IF YOU ENROLL YOUR DOMESTIC PARTNER OR PARTNER'S DEPENDENT CHILDREN Costco will withhold your costs for that coverage on an after-tax basis. Plus, the "imputed value" of their coverage will be included in your paycheck as part of your taxable income.

The domestic partner information package, available from your location's payroll or Benefits representative, includes more details.

An Example: Paying Before-Tax

When your contributions are deducted before-tax, the rough rule of thumb is: Your tax savings equals the amount deducted times your tax rate (federal income tax bracket + 7.65% FICA).

Employees who pay state income taxes may save even more. That's because contributions are also tax-exempt in practically all states. Of course, since tax regulations can get complicated, be sure to talk to your personal tax advisor about your situation.

FOR EXAMPLE, IN 2005 MOST COSTCO EMPLOYEES WERE IN THE 15% OR 27% FEDERAL INCOME TAX BRACKET:

For Employees in this Federal Tax Bracket	Their Federal Tax Rate is ...	And for Every \$100 Deducted Before Tax, Tax Savings are About ...
15%	22.65% (15% + 7.65% FICA)	\$22.65 (\$100 x 22.65%)
27%	34.65% (27% + 7.65% FICA)	\$34.65 (\$100 x 34.65%)

WHEN COVERAGE ENDS

For you Your coverage under the Costco Employee Benefits Program will end on the earliest of these dates:

- The day you quit, retire, leave work or stop being an eligible employee for any other reason
- The last day of a measurement period in which you didn't work an average of 20 hours per week (doesn't apply to Voluntary STD)
- The last day of an approved leave of absence, if you don't come back to work
- The first day of a period for which you haven't paid required contributions
- The day you go on an unauthorized work stoppage
- The day you exceed the allowed leave of absence period including any state or federal Family Medical Leave periods

- The first day of a strike after the applicable collective bargaining agreement expires
- The effective date for which you've declined to participate, for example, following annual open enrollment or a qualified change in family status

For your family Your family's coverage ends when yours does. For individual family members, coverage stops when they no longer meet plan eligibility requirements. This would apply, for example, to your ...

- Spouse, if you get divorced or legally separated,
- Domestic partner, if your partnership ends, and
- Children if they get married, reach the plan's age limits, or otherwise no longer qualify as your dependents.

EMPLOYEES ASK ABOUT ... ELIGIBILITY AND ENROLLMENT

1. What happens to my benefits if I don't average enough hours during a measurement period to stay eligible?

- Your coverage ends on the last day of the last pay period in March or September, depending on the measurement period in which you failed to qualify. At that time, the Benefits Department will notify you that your coverage has ended.
- You may buy continued coverage. After you lose eligibility, you may continue coverage under most plans by paying the full cost. For example, a federal law known as "COBRA," briefly described on page 11, gives you the right to purchase continued healthcare coverage for yourself and your family for a period of time. The notice from Costco Employee Benefits Department will spell out all your options for continuing benefits.
- You'll become eligible once again after you average 20 paid hours per week during any subsequent measurement period. Provided you re-enroll for benefits, your coverage will resume the following measurement period – that is, starting either April 1 or October 1.

2. If I establish a domestic partnership, when can I enroll my domestic partner for healthcare coverage?

- You can only enroll your domestic partner or your partner's dependent children during your initial enrollment period or any Annual Open Enrollment. The exception is if you acquire a new dependent child. In that case, you have 60 days to enroll your child, your partner and (if not currently enrolled) yourself in Costco medical and dental plans.

WHILE YOU'RE GONE ON AN APPROVED LEAVE OF ABSENCE, YOU MAY BE ABLE TO CONTINUE YOUR BENEFIT COVERAGE FOR A PERIOD OF TIME. COSTCO RECOGNIZES A VARIETY OF PAID AND UNPAID LEAVES INCLUDING ...

- Leaves under the Family and Medical Leave Act (FMLA)
- Medical leaves
- Maternity leaves
- Personal leaves
- Military leaves

Details are included in the Costco Leave of Absence information package, available from your location's payroll or Benefits representative.

Your Map to Costco ... MEDICAL AND OTHER HEALTHCARE PLANS

Chances are you consider medical coverage one of your most valuable benefits. That's why you'll be glad to hear Costco offers employees and their families solid coverage at a reasonable price.

What's more, elect a Costco medical plan and you're automatically covered by the prescription drug, vision, and mental health and substance abuse plans, too – at no extra cost to you.

Here's a quick look at available medical plan options along with other automatic health benefits. Remember, since these are just highlights, the Employee Benefits Program Booklet is your resource for more details such as waiting periods for pre-existing conditions, what's covered, what's not, how to file claims, Coordination of Benefits, your rights to appeal a denied claim, your COBRA rights, and practically anything else you want to know about the plans.

PLAN FACTS

Special plan enrollment rules Provided you enroll for medical coverage, no special enrollment is required for the prescription drug, vision, mental health or substance abuse plans. To decline medical, you must complete enrollment and submit a special Decline Coverage Acknowledgement form, discussed on page 7.

Medical plan options for part-time employees If you first became eligible for Costco medical benefits:

- On or after October 1, 2003, your only option is Managed Choice for Part-time Employees. This includes employees who were already enrolled in Managed Choice for Part-Time Employees on October 1, 2003.
- Before October 1, 2003, you'll have exactly the same medical plan choices as full-time employees through 2006. Starting January 1, 2007, if you're still an eligible part-time employee, you'll be limited to Managed Choice for Part-time Employees.

Your biweekly contributions The amount you pay for medical plan coverage depends on:

- Which option you choose,
- How many family members you enroll – for example, you pay for each child you enroll but nothing extra if you enroll more than four children, and
- The date you first became eligible for Costco benefits. Until 2007, employees who became eligible for Costco benefits before October 1, 2003, will generally pay more favorable rates than other employees.

PLANS AT A GLANCE

Administered by Aetna, 1-800-814-3543

- Managed Choice, Managed Choice for Part-Time Employees, Freedom of Choice
- Prescription Drug Program
- Vision Care Plan

Administered by HMSA, 1-800-776-4672

- Medical for Hawaii employees: HMO and PPO plans, which are not described in this booklet. Contact your locations payroll or Benefits representative for an HMSA booklet describing these plans.

Administered by Unicare, 1-800-999-7222

(Claims paid by Aetna)

- Employee Assistance Plan
- Mental Health and Substance Abuse Plans

EMPLOYEE ASSISTANCE PLAN (EAP) IS FOR EVERYONE!

Elect or decline Costco benefits – in either case, if you're an eligible employee, you, your spouse or domestic partner and your dependent children have access to the EAP, at no cost to you.

YOUR ACTUAL COST FOR MEDICAL COVERAGE is shown in the Costco Rate Booklet, provided during initial enrollment and Annual Open Enrollment.

Your medical plan ID card Your identification card contains important information about your eligibility to participate in the plan, such as your group plan number. When you enroll for medical coverage, Aetna will send cards to you and enrolled family members. You'll need to use this card whenever you visit a medical plan provider or buy prescription drugs from a Costco or other network pharmacy.

Special for Hawaii employees: Since your medical coverage is provided through HMSA, Aetna will send you a special prescription drug card to use whenever you visit a Costco or other network pharmacy.

Pre-existing Conditions This plan imposes a pre-existing condition exclusion. This means that employees and family members with a pre-existing medical condition who are newly enrolled for Costco medical coverage may have to wait up to 12 months before the plan will begin to pay benefits for the pre-existing condition.

A “pre-existing condition” is a physical or mental condition for which medical advice, diagnosis, care or treatment was recommended or received within six months before:

- Your date of hire (applies to you and family members first enrolled for medical during your initial eligibility period) or
- Date coverage begins (applies to you and family members first enrolled after your initial eligibility period).

The preexisting condition exclusion period may be reduced by the number of days of any creditable coverage under a previous healthcare plan, including COBRA – provided there are no breaks in coverage of 63 days or more. (For newly eligible employees, the time you must work before you are eligible for Costco benefits is not considered a break in coverage.)

For details, see your Employee Benefits Program Booklet. Have more questions? Feel free to call Aetna customer service, 1-800-814-3543.

Your HIPAA Certificate of Creditable Coverage To reduce the 12-month exclusion period by your creditable coverage, you should give us a copy of any certificates of creditable coverage you have. By law, all companies including Costco must provide a HIPAA certificate to participants when their healthcare coverage ends. This certificate shows you had creditable health coverage and how long that coverage lasted. If you’re a newly eligible employee and your previous employer or insurer failed to provide you with a certificate, Costco Employee Benefits Department can help you get one. There are also other ways you can show you have creditable coverage. Please contact Aetna if you need help demonstrating creditable coverage.

Coordination of Benefits Costco healthcare plans, including medical, dental, vision, mental health and substance abuse plans (but not the prescription drug plan) have a Coordination of Benefits (COB) provision.

COB means our plans will work with any other coverage you and your family members have, for example, through your spouse’s employer. Together, the plans may pay up to – but no more than – 100% of your covered costs. As discussed in your Employee Benefits Program Booklet, rules apply to which of your plans will pay benefits first, and which will pay second.

COBRA when your coverage ends After Costco health plan coverage ends for you, your spouse or dependent child, a federal law known as “COBRA” may let you buy continued group coverage for a period of time. If you qualify, you must pay the full monthly cost for this coverage plus a small administrative fee.

- Costco Benefits Department will notify you of your COBRA rights if you lose coverage because you stop being an eligible employee.

THE BENEFIT WAITING PERIOD FOR PRE-EXISTING CONDITIONS DOES NOT APPLY TO ...

- Pregnancy or pregnancy-related conditions
- Newborns or adopted children enrolled within 60 days after birth, adoption or placement for adoption
- Costco vision, prescription drug or dental plan benefits (but does not apply to mental health and substance abuse plan benefits)
- HMSA plans for Hawaii employees
- Participants with 12 or more months of previous creditable healthcare coverage, if the break between that coverage and Costco medical plan coverage is less than 63 days

FOR DETAILS ABOUT YOUR COBRA RIGHTS See your initial COBRA notice. A detailed explanation is also included in your Employee Benefits Program Booklet.

- It’s your responsibility to notify your location’s payroll or Benefits representative within 60 days after a family member is no longer eligible – for instance, due to divorce or because a child is no longer your eligible dependent.

To qualify for COBRA continuation, you must apply within 60 days after coverage ends or you get a COBRA notice from Costco, whichever comes last.

SPECIAL TOOLS FOR YOU

As a participant in a Costco medical plan, Aetna provides you with a variety of useful tools to help you take charge of healthcare decisions for yourself and your family.

- *Informed Healthline* – 24 Hour Nurseline, 1-800-556-1555 or 1-800-814-3543, TDD 1-800-270-2386, is staffed by a trained RN. Call toll-free day or night for help deciding how to take care of immediate health issues.
- *Aexcel Specialty Networks* is a network of specialists who have been identified as consistently delivering quality, effective care with fewer complications and repeat procedures. The specialties cover:

General Surgery	Otolaryngology/ENT
Cardiothoracic Surgery	Vascular Surgery
OB/GYN	Neurology
Neurosurgery	Urology
Orthopedics	Cardiology
Gastroenterology	Plastic Surgery

While Aexcel Specialist are available under both the Freedom of Choice and Managed Choice medical plans, employees enrolled in the Managed Choice Plans have the added benefit of:

1. A referral from your primary care physician is not required
2. The office visit co-pay will be reduced to \$5.00.

Aexcel Specialty Networks are available in the following areas:

- Arizona (except 466)
 - California – Los Angeles, Northern California (except 41, 141, 659), Central Valley (except 29, 438, 464, 471, 765, 771)
 - Connecticut
 - Florida – Jacksonville, Southern, Tampa
 - Georgia – Atlanta
 - Illinois (except 267, 268)
 - Maryland
 - New Jersey – Northern New Jersey
 - New York – Metro
 - Ohio – Cleveland, Columbus, Toledo
 - Texas – Austin, Dallas, Houston, San Antonio
 - Washington – Seattle
 - Washington, D.C. – Metro
- *Healthy Outlook Disease Management Programs*, designed to help you manage certain chronic conditions, including diabetes, asthma, chronic heart failure and coronary artery disease. The program takes a coordinated approach, providing a combination of education, counseling, patient self-care and physician support – with an emphasis on lifestyle changes.
 - *Moms-to-Babies Maternity Program*, 1-800-CRADLE1 (272-3531), then Press 1, an educational, supportive program for all mothers-to-be. This can help guide you through pregnancy with helpful information about nutrition, healthy activities and more. If your pregnancy is identified as “high risk,” the program will work with you

and your doctor to help determine what’s best for you and your baby. What’s more, if you enroll in the first 16 weeks of pregnancy and complete this special program, Costco’s medical plan will waive the \$100 hospital co-pay for your baby.

- *Catastrophic Case Management* is for patients with certain severe illnesses and injuries. The goal is to make sure each catastrophic case receives the highest quality of care. If your case qualifies, specially trained Aetna representatives will work with you, your family and your physician to come up with a treatment plan tailored to your exact circumstances.
- *Organ transplant benefits* are available through a special program that coordinates care for qualified patients who require organ or tissue transplants. With Aetna’s approval, the plan will pay in-network benefits for state-of-the-art care received from a hospital belonging to a national network of hospitals specializing in transplants. Benefits may also be available to help cover travel and lodging for the patient and a traveling companion.

WWW.AETNANAVIGATOR.COM is your single online source for health- and benefits-related information. It lets you perform a variety of functions, 24/7. Once you register on the site, you can order medical ID cards, send e-mail inquiries to Member Services ... even check your claims status.

Plus, you’ll find interactive “cool tools,” including a medical dictionary, allergy and asthma quizzes, and a heart and breath odometer. The site also includes:

- *DocFind*, access to Aetna’s most up-to-date provider directories
- *Aetna IntelliHealthSM*, award-winning site with information from Harvard Medical School and the University of Pennsylvania School of Dental Medicine.
- *Healthwise[®] Knowledgebase*, health information resource that can help you and your family make more informed healthcare decisions.

HOW MEDICAL PLANS WORK

Using network participating providers Costco medical plans pay benefits for covered services and supplies you receive from any qualified provider. But it's usually to your advantage to use providers who belong to your plan's network of participating providers. Here's why:

- In general, your plan will pay a higher percentage of your covered costs.
- Participating providers have contracted with Aetna to provide services at a discounted rate for services you receive. That means they'll accept plan payments plus your share of the discounted rate as payment in full for covered costs. You won't be billed for any additional charges.
- Your participating provider will handle most of the paperwork, including claim submission and any required pre-certification for treatment, on your behalf.

TO FIND AETNA NETWORK PARTICIPATING PROVIDERS,

Refer to your plan's Provider Directory, available from your location's payroll clerk or Benefits representative.

If you prefer, go online to www.costcobenefits.com, FIND A PROVIDER.

Note that providers in the Managed Choice network may differ from those in the Freedom of Choice network.

Using out-of-network providers For the Services of these providers:

- The plans pay covered expenses at a lower level, based on Reasonable and Customary (R&C) charges. If your provider charges more than R&C, you'll be billed for the balance.
- While some non-participating providers will bill Aetna for services provided, others do not. In that case, you'll be responsible for submitting the claim.
- Hospitalization and most procedures ordered by a non-participating physician must be pre-certified by Aetna. If not pre-certified as required, you'll have to pay an extra penalty fee for the services you receive.
- Preventive and well care is not covered by the Managed Choice plans.

Medically necessary expenses Except for covered wellness and preventive benefits, Costco medical plans will only pay benefits for medically necessary expenses. "Medically necessary" means a healthcare service, treatment or supply for a medical condition which is:

- Ordered by a physician,
- Required for the treatment of the condition,
- The most efficient and cost-effective service which can be provided safely, and
- In accordance with approved and generally accepted medical or surgical practice.

Your out-of-pocket costs You pay a share of the costs of services you receive out of your own pocket – then the plan pays the balance. Briefly, here's how it works:

- Your co-pay is the dollar amount you have to pay each time you get certain services.
- Your annual deductible is the amount you must pay each year (not including co-pays) before the plan will begin to pay benefits. The family maximum deductible is the most you have to pay per year towards the deductible for all family members combined.
- Your coinsurance is the percentage of covered costs you pay after you satisfy the annual deductible. For example, if the plan pays 90% of covered costs after your deductible, your coinsurance is 10%.
- Your annual coinsurance maximum is the most you have to pay for coinsurance each year. Once you reach this maximum, you won't have to pay any more coinsurance for the rest of the year. Your co-pays or any deductible amounts don't count toward this maximum – and, even after you reach this maximum, co-pays are still required.

MANAGED CHOICE MEDICAL PLANS

Your Primary Care Physician (PCP) When you enroll in a Managed Choice plan, you select a PCP for yourself and each enrolled family member from Aetna's Managed Choice Provider Directory.

REASONABLE AND CUSTOMARY (R&C) CHARGES Charges are determined using a national database of standard charges. In general, R&C refers to medically necessary charges for services, supplies or drugs which are the lesser of:

- Actual charges for those expenses or
- The amount normally charged by most providers in your area for similar care or supplies furnished to someone of your same sex and age for a similar illness or injury.

- **In-network services** These plans pay the highest level of benefits when care is provided, managed or referred by your PCP. Your PCP can provide most of the services you're likely to need – or, if necessary, refer you for specialized healthcare or hospitalization.
- **Out-of-network services** You may go directly to any qualified provider without PCP referral. But, in most cases, your plan will pay covered costs at the lower *out of network* benefit level.

Plan benefits For a brief rundown of benefits paid by Managed Choice and Managed Choice for Part-Time Employees, see *Summary of Medical Plans* starting on page 16. And, as always, be sure to refer to your Employee Benefits Program Booklet for more details.

Managed Choice outside the plan service area Most Costco locations are situated inside Aetna service areas – but some are out of area. “Out of area” means participants don’t have easy access to Managed Choice network providers.

Currently, Costco out of area locations include Anchorage, Billings, Boise, Bozeman, Chico, Clarkston, Colchester, Des Moines, El Centro, Eureka, Harrisonburg, Juneau, Kalispell, Laredo Depot, Missoula, Morris Depot, Myrtle Beach, Prescott, Redding, Twin Falls, Union Gap and Winchester. Since this list may change from time to time, be sure to check with your local payroll or Benefits representative to learn whether your location is out of area.

If you’re located outside a Managed Choice plan service area:

- You don’t have to choose a Primary Care Provider and
- Your plan will pay covered services of any qualified provider at the in-network level, based on Reasonable and Customary (R&C) charges. If your provider charges more than R&C, you’ll have to pay the excess.

IF YOU LIVE OUTSIDE THE PLAN SERVICE AREA

Aetna has made special arrangements for you to use Multiplan Rural PPO Network providers. Even though you’re not required to use these providers, you can save money by seeking their services. That’s because, for plan participants, they’ve agreed to:

- Accept discounted rates for the care they provide and
- Charge only applicable deductibles, co-pays and coinsurance.

Your Aetna medical ID shows the name and number of your local available network. To find a participating provider near you, call Aetna customer service or go online to:

www.costcobenefits.com

FREEDOM OF CHOICE MEDICAL PLAN

Preferred Providers With this plan, you’re not required to choose a Primary Care Provider or get a referral. For the highest level of benefits, you simply have to use a Preferred Provider.

Of course, you may go directly to any qualified non-Preferred provider – but the plan will generally pay benefits at a lower level. Plus, you’ll be responsible for any amounts that exceed Reasonable and Customary charges.

Plan benefits For a brief rundown of benefits paid by the Freedom of Choice plan, see Summary of Medical Plans starting on page 16. And, as always, be sure refer to your Employee Benefits Program Booklet for more details.

The following locations are outside the service area for Freedom of Choice:

Bozeman, Chico, Clarkston, Colchester, El Centro, Eureka, Harrisonburg, Juneau, Kalispell, Laredo Depot, Missoula, Morris Depot, Redding, Winchester.

If you are employed at one of these locations and select Freedom of Choice as your medical plan, all of your claims will be paid at the non-preferred provider rate.

EMPLOYEES ASK ABOUT ... MEDICAL PLAN BENEFITS

- 1.** *I've been an eligible Costco employee for several years. Are there any situations when the benefit waiting period for pre-existing conditions might apply to me?*

The provision comes into play anytime you or a participating family member has a lapse in coverage. This might happen, for example, if you:

- Drop medical coverage during annual open enrollment, then re-enroll at a later date or
- Lose eligibility for one or more benefit measurement periods, then later become eligible once again.

In any case, once your Costco coverage resumes, chances are any other creditable healthcare coverage you had in the meantime (including COBRA) will count toward satisfying the waiting period.

- 2.** *Like me, my spouse is a benefit-eligible Costco employee. Is there any advantage if we enroll for medical coverage separately as employees, instead of one of us enrolling the other as a family member?*

If you enroll separately, you can each elect a different medical plan, if available. Plus, you may elect or decline any available dental option, no matter what your spouse chooses. On the other hand:

- You're likely to pay more for your coverage as an employee, compared to the bargain rate for benefits-eligible spouses and domestic partners,
- Your out-of-pocket costs won't combine with your spouse's to count towards the plan's family deductible or annual coinsurance maximum, and
- Your children can only be covered once, either by you or by your spouse.

- 3.** *My son is attending college out of state. Since he's enrolled in the Managed Choice medical plan, how can he get in-network benefits when he's away?*

Your first step is to contact Aetna customer service to let them know about the situation. In fact, the Managed Choice provider network is nationwide so your son's college is apt to be located in a plan service area. If so, while he's at school, he can select a nearby PCP to provide care. Then, when he comes home for the summer or other extended period of time, he can call Aetna to switch to a PCP in your area.

If your son's school happens to be located outside a plan service area, the plan will pay in-network benefits for medically necessary services he receives from any qualified provider.

- 4.** *I want to sign up for the Freedom of Choice plan. Since there are no Preferred Providers nearby, will I qualify for the Preferred level of benefits if I use a non-participating provider?*

Sorry, for this plan you have to use Preferred Providers to get the higher in-network level of payment. That means, no matter where you live, benefits for covered services of non-preferred providers are paid at the non-preferred rate.

SUMMARY OF MEDICAL PLANS

MANAGED CHOICE FREEDOM OF CHOICE PART-TIME MANAGED CHOICE

	MANAGED CHOICE			FREEDOM OF CHOICE			PART-TIME MANAGED CHOICE		
	In-Network*	Out-of-Network ¹	Preferred Provider	Non-Preferred Provider	In-Network*	Out-of-Network ¹			
Annual Deductibles	\$200 Individual \$400 Family	\$200 Individual \$400 Family	\$250 Individual \$1,000 Family	\$250 Individual \$1,000 Family	\$500 Individual \$1,000 Family	\$500 Individual \$1,000 Family			
Annual Co-Insurance Maximum	\$1,500 Individual \$3,000 Family	Individual – No Limit Family – No Limit	\$1,500 Individual \$6,000 Family	\$1,500 Individual \$6,000 Family	\$2,500 Individual \$5,000 Family	Individual – No Limit Family – No Limit			
Emergency Room	\$50 co-pay 90% after deductible	\$50 co-pay 90% after deductible	\$50 co-pay 90% after deductible	\$50 co-pay 90% after deductible	\$50 co-pay 80% after deductible	\$50 co-pay 80% after deductible			
Doctor Office Visits	\$15 co-pay per visit	50% R&C after deductible	90% after deductible	80% R&C after deductible	\$20 co-pay per visit	50% R&C after deductible			
Specialist Office Visit	\$15 co-pay per visit	50% R&C after deductible	90% after deductible	80% R&C after deductible	\$20 co-pay per visit	50% R&C after deductible			
Aexcel Specialist³	\$5 co-pay per visit	N/A	N/A	N/A	\$5 co-pay per visit	N/A			
Hospital Stay²	\$100 co-pay ⁴ 90% after deductible	\$100 co-pay ⁴ 50% R&C after deductible	\$100 co-pay ⁴ 90% after deductible	\$100 co-pay ⁴ 80% R&C after deductible	\$100 co-pay ⁴ 80% after deductible	\$100 co-pay ⁴ 50% R&C after deductible			
Routine Physicals⁵	100% after \$15 co-pay \$300 annual maximum	Not covered	90% \$300 annual maximum	80% R&C \$300 annual maximum	100% after \$20 co-pay \$300 annual maximum	Not covered			
Routine Mammograms⁵	90% not part of \$300 annual maximum	Not covered	90% not part of \$300 annual maximum	80% R&C	80% not part of \$300 annual maximum	Not covered			
Well Baby Care⁵	\$15 co-pay per visit	Not covered	90%	80% R&C	\$20 co-pay per visit	Not covered			
Alternative Care Treatment Acupuncture, Chiropractic, Naturopath ^{6,7,8}	\$15 co-pay per visit up to 20 visits per calendar year	50% R&C after deductible limited to 20 visits per calendar year	90% after deductible limited to \$1,000 per calendar year	80% R&C after deductible limited to \$1,000 per calendar year	\$20 co-pay per visit limited to 20 visits per calendar year	50% R&C after deductible limited to 20 visits per calendar year			
TMJ Treatment (\$2,000 Lifetime Maximum) for other services	\$15 co-pay for office visit 90% after deductible	50% R&C after deductible	90% after deductible	80% R&C after deductible	\$20 co-pay per visit 80% after deductible	50% R&C after deductible			
Pre-Certification for Hospitalization²	Automatic	Non-compliance \$200 penalty	Non-compliance \$200 penalty	Non-compliance \$200 penalty	Automatic	Non-compliance \$200 penalty			
Physicians Services for Surgery, Hospital Visits	90% after deductible	50% R&C after deductible	90% after deductible	80% R&C after deductible	80% after deductible	50% R&C after deductible			
X-rays, Lab Tests	90% after deductible	50% R&C after deductible	90% after deductible	80% R&C after deductible	80% after deductible	50% R&C after deductible			
Short-Term Rehab Therapy^{8,9}	90% after deductible Limited to 60 visits per year	50% R&C after deductible limited to 60 visits per year	90% after deductible no limit	80% R&C after deductible	80% after deductible limited to 60 visits per year	50% R&C after deductible limited to 60 visits per year			

SUMMARY OF MEDICAL PLANS (CONTINUED)

MANAGED CHOICE

FREEDOM OF CHOICE

PART-TIME MANAGED CHOICE

	MANAGED CHOICE		FREEDOM OF CHOICE		PART-TIME MANAGED CHOICE	
	In-Network*	Out-of-Network ¹	Preferred Provider	Non-Preferred Provider	In-Network*	Out-of-Network ¹
Radiologist Anesthesiologist Pathologist Services	90% after deductible	50% R&C after deductible	90% after deductible	80% R&C after deductible	80% after deductible	50% R&C after deductible
Skilled Nursing Convalescent Facility^{8,9}	90% after deductible up to 60 visits per calendar year	50% R&C after deductible limited to 60 visits per calendar year	90% after deductible limited to 60 days per calendar year	80% R&C after deductible limited to 60 visits per calendar year	80% after deductible limited to 60 days per calendar year	50% R&C after deductible limited to 60 days per calendar year
Private Duty Nursing^{8,9}	90% after deductible limited to 70 shifts per calendar year	50% R&C after deductible limited to 70 shifts per calendar year	90% after deductible limited to 70 shifts per calendar year	80% R&C after deductible limited to 70 shifts per calendar year	80% after deductible limited to 70 shifts per calendar year	50% R&C after deductible limited to 70 shifts per calendar year
Home Health Care^{8,9}	90% after deductible limited to 120 visits per year	50% R&C after deductible limited to 120 visits per year	90% after deductible limited to 120 visits per year	80% R&C after deductible limited to 120 visits per year	80% after deductible limited to 120 visits per year	50% R&C after deductible limited to 120 visits per year
Hospice Care^{8,9}	Inpatient: 90% after deductible 30 days lifetime Outpatient: 90% after deductible \$5,000 lifetime	Inpatient: 50% R&C after deductible 30 days lifetime Outpatient 50% R&C after deductible \$5,000 lifetime	Inpatient: 90% after deductible 30 days lifetime Outpatient 90% after deductible \$5,000 lifetime	Inpatient: 80% R&C after deductible 30 days lifetime Outpatient 80% R&C after deductible \$5,000 lifetime	Inpatient: 80% after deductible 30 days lifetime Outpatient 80% after deductible \$5,000 lifetime	Inpatient 50% R&C after deductible 30 days lifetime Outpatient 50% R&C after deductible \$5,000 lifetime

Hearing Aid (Device) 100% limited to \$500 in any 24-month period

Vision Care See separate benefits outlined on page **18**

Prescription Drugs See separate benefits outlined on page **19**

EAP and Mental Health & Substance Abuse See separate benefits outlined on page **20 – 21**

Lifetime Maximum \$1,000,000.00

Accumulators: If you terminate employment and are rehired in the same year, your deductibles, maximum benefits limits and co-insurance maximums will be carried forward. All payments are payable after annual deductibles have been met, unless otherwise noted.

* Services must be performed at the direction of a Primary Care Physician.

¹ If enrolled in Out-of-Area Plan due to geographic area or location of employee's home, In-Network benefits will apply.

² Pre-certification not required for delivery of newborn.

³ Aexcel Network – See page 12 for specialties and markets.

⁴ Copay applies to each confinement. Confinement separated by less than 10 days is considered a single confinement.

⁵ Routine physicals, mammograms and well baby care are not subject to deductible and incurred charges do not apply to deductible.

⁶ Includes all eligible charges rendered/referred by a chiropractor for services or supplies used to treat a non-occupational injury.

⁷ Lower level benefits apply to out-of-network chiropractic only.

⁸ Annual and lifetime limitations apply to in- and out-of-network visits combined.

⁹ Requires pre-certification.

VISION CARE PLAN

How the plan works The plan pays benefits for routine annual eye exams you receive from any licensed vision care provider. For covered eyewear, the plan pays benefits like this:

- *Vision Voucher* applies to eyeglasses or contacts you buy from Costco Optical. When you make your purchase, simply show your Voucher. You won't have to file a claim or pay any money out of your own pocket unless the price of your eyewear exceeds the voucher allowance.
- *Eyewear purchased from non-Costco Optical providers* is covered only if there's no Costco Optical department within 25 miles of where you work or Costco Optical is unable to provide you with the eyewear prescription you need.

For these covered services, first you pay for your eyewear, then file a claim for reimbursement with Aetna. Claim forms are available from your location's payroll or Benefits representative.

EMPLOYEES ASK ABOUT ... VISION CARE PLAN

1. How do we get reimbursed for the costs of routine annual eye exams?

First you have to pay the full cost out of your own pocket, then a claim must be submitted to Aetna. You'll be reimbursed for your covered costs up to \$45 per person per year.

2. Due to my special eye condition, I need to go to a medical doctor for vision exams. Will the Vision Care Plan pay my ophthalmologist's charges?

No. The Vision Care Plan only covers routine refractive eye exams to be fitted for prescription eyewear. Medically necessary vision services related to eye disease or injury are covered by your Costco medical plan.

3. What happens if I need a special kind of lens that's not carried by the Costco Optical department?

Costco Optical carries most kinds of prescription eyeglass and contact lenses, so chances are they'll have what you need. If not, they'll provide you with a letter that authorizes you to use another provider. In that case, when you buy eyewear from another provider:

- You'll have to pay the full cost at time of purchase.
- To get reimbursed, you must submit your receipt to Costco Benefits, along with the letter from Costco Optical.
- The plan will pay the same benefits as for any covered eyewear purchased from Costco Optical providers.

TO REQUEST A VISION VOUCHER, Call Aetna, 1-800-941-5542. Within 10 business days, Aetna will send you a voucher personalized with the name of the person who will receive the care.

The Voucher is issued with a 60-day expiration date. Remember, no matter what the expiration date, you must be eligible for and enrolled in a Costco medical plan on the date you purchase your eyewear. Otherwise, your vision expenses will *not* be covered.

Benefits in Brief – VISION CARE PLAN

Routine vision exam from any licensed provider

One exam per calendar year.	Paid up to \$45
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Costco Optical eyewear paid by Vision Voucher

Eyeglasses per calendar year.	<i>Lenses</i>
	<ul style="list-style-type: none"> • paid 100% of standard CR39 plastic lenses for single vision, bifocal, trifocal or progressive lenses • paid up to \$25 for lens upgrades, such as tints and scratch-resistant coatings
	<i>Frames</i>
	<ul style="list-style-type: none"> • paid up to \$50

Prescription Contact Lenses

Including disposable lenses in lieu of eyeglasses	<ul style="list-style-type: none"> • paid up to \$100
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Eyewear from Non-Costco Optical Providers, if covered

Eyeglasses or contacts in lieu of glasses, per calendar year in lieu of eyeglasses	<ul style="list-style-type: none"> • paid up to \$100
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PRESCRIPTION DRUG PROGRAM

What the plan covers This plan covers the costs of prescription drugs and diabetic supplies you buy at:

- *Costco pharmacies* or
- *Costco-designated network pharmacies*, such as Rite-Aid, Safeway, CVS, Eckerd's and Longs. Along with your medical or pharmacy identification card, Aetna will send you a list of participating pharmacies in your area. You can also go online to www.costcobenefits.com.

How the plan works When you visit a Costco or network pharmacy, simply show your Aetna identification card. At the time of purchase, you'll pay a co-pay equal to a small percentage of the retail cost – no claim forms required.

Using non-Costco-designated network pharmacies Prescription drugs you buy from non-participating pharmacies are covered *only* if ...

- You have an emergency and
- A Costco or network pharmacy is not available.

You'll have to pay the full cost at time of purchase, then submit a claim to Aetna for repayment. Aetna will reimburse you for the cost, minus your co-pay (\$15 or 25% of the cost, whichever is more).

Covered Over the Counter (OTC) Medicines Effective February 1, 2006, the Prescription Drug Program will also begin to cover certain OTC medicines. To qualify for benefits, the medicines must be prescribed by a physician and purchased at a Costco pharmacy. Covered OTC medicines include:

- Antacids and acid reducers, such as Kirkland Signature™ Acid Reducer Tablets, Kirkland Signature™ Acid Controller, Zantac®, Prilosec® and Pepcid®.
- Antihistamines, such as Claritin® Non-Drowsy 24 hours, Claritin® D24, Claritin® RediTabs, Claritin® D 12 hours, and Alavert® Non-Drowsy Loratadine Orally Disintegrating Tablets.

Note that the list of covered OTC medicines may change from time to time. For an up-to-date list, including covered supply per purchase, refer to www.costcobenefits.com.

EMPLOYEES ASK ABOUT ... PRESCRIPTION DRUG BENEFITS

1. Can I use my Health Care Reimbursement Account for prescription drug co-pays?

Absolutely! In fact, if you've elected to streamline payment from your Account, the process couldn't be easier with the plan's special AutoDebitSM feature. As long as you haven't exceeded your elected annual contribution, your co-pays will be deducted immediately. You'll pay nothing at time of purchase.

2. In addition to the Costco plan, I'm covered by my spouse's company prescription drug plan. Will the two plans work together to pay my covered costs?

Our prescription drug program doesn't coordinate with benefits paid by other plans. But you may want to check with the other plan's administrator to see if it will cover your co-pays under this plan.

GENERIC DRUGS are equivalent in safety and effectiveness to their brand-name counterparts – but they cost less, and that can save you money.

When your physician writes a prescription, make sure he or she indicates that the pharmacist may substitute the appropriate generic drug for the brand-name prescription.

In fact, if you get a brand-name drug when a suitable generic is available you'll have to pay the extra cost in *addition* to the co-pay.

Benefits in Brief – PRESCRIPTION DRUG PROGRAM

For Prescriptions or Refills You Buy at a Costco Pharmacy

Your co-pay per 34 day supply...	<i>Over the Counter (effective 2/1/06):</i>
	<ul style="list-style-type: none"> • Kirkland Signature Brand \$0 • Covered Brands \$3 co-pay*
	<i>Generic Drugs:</i> <ul style="list-style-type: none"> • \$5 or 10% of cost, whichever is more (\$25 maximum co-pay)
	<i>Brand-Name Drugs:</i> <ul style="list-style-type: none"> • \$10 or 15% of cost, whichever is more (\$50 maximum co-pay)

Costco-Designated Network Pharmacies

Your co-pay per 34 day supply...	<i>Generic and Name Brand Drugs:</i> <ul style="list-style-type: none"> • \$15 or 25% of cost, whichever is more (\$50 maximum co-pay) <i>Over the Counter – not covered</i>
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* Co-pay for Over the Counter Covered Brands may be reduced if there is not an equivalent Kirkland Signature product on the market at the time of your purchase.

EMPLOYEE ASSISTANCE PLAN (EAP)

How the plan works Whenever you face an important personal situation, you can count on the EAP for confidential help with practically any personal issue.

The EAP is available to all eligible employees and their families, including Hawaii employees. You have access to EAP services starting the very first day you begin work as an eligible employee. There's no cost to you for covered services.

What the plan covers To use the EAP, your first step is to call **1-800-999-7222**.

Your call will be answered by a trained staff member who can help you determine your primary issues – then point you in the right direction to get the help you need. Services include:

- Help with Work/Life issues, access to all kinds of resources to help you solve common life challenges, such as finding care for your children or elders, or locating financial and legal information and assistance.
- Counseling, one to six sessions, when you face especially significant issues such as those related to physical or emotional distress, conflict resolution, relationships, or alcohol or substance abuse.

When you need more help If it looks like further treatment may be needed, your EAP counselor will refer you to other providers or resources. When that happens, keep in mind:

- The decision to seek help and who will provide the help is always up to you.
- While there's no charge for EAP services, you're responsible for any charges you incur from other providers.
- If you're enrolled in a Costco Managed Choice or Freedom of Choice medical plan, the Mental Health and Substance Abuse Plan may cover your expenses. But, to qualify for most plan benefits, your care must be referred by your EAP counselor and approved by Unicare.

MENTAL HEALTH AND SUBSTANCE ABUSE PLAN

What the plan covers This plan is facilitated and managed by Unicare. It pays benefits for medically necessary inpatient and outpatient services for the treatment of mental health or substance abuse.

Note to Hawaii employees: While you're eligible for EAP services, this Mental Health and Substance Abuse plan does not apply to you. That's because your HMSA plans include benefits for mental health and substance abuse care.

How the plan works To qualify for most plan benefits, care has to be approved and referred by Unicare. That means before you go for services, you must call Unicare, **1-800-999-7222**.

The exception is an emergency admission, in which case Unicare must be called for authorization within 48 hours after admission.

The phone is staffed 24 hours a day, seven days a week. When you call, a trained staff member will work with you to help determine the approach that makes the most sense for your situation. Often this will result in a referral to an EAP counselor for further evaluation. In some cases, such as for emergencies, Unicare may send an individual directly to a network participating provider.

TO KEEP EAP SERVICES CONFIDENTIAL Costco has contracted with an outside firm, Unicare, to facilitate the program. When you need help, call anytime day or night, toll free at **1-800-999-7222**.

Or, you can go to Your EAP Web site at **www.unicare.com/youreap**.

Then ...

- Enter Costco as the program's name

This site includes valuable articles on important issues ... links to related Web sites ... reading lists ... referral resources ... and interactive self-assessment tools.

THE MENTAL HEALTH AND SUBSTANCE ABUSE PLAN is distinctly separate from Costco medical plans and uses a different network of providers. The Unicare network of participating providers includes a variety of ...

- Mental health and substance abuse counselors
- Psychologists and clinical workers
- Psychiatrists
- Residential treatment centers

EMPLOYEES ASK ABOUT ... MENTAL HEALTH AND SUBSTANCE ABUSE BENEFITS

1. Do we need to submit claims for charges covered by the plan?

Not if your care is referred by Unicare and received from a network participating provider. Network providers bill the plan directly on your behalf. You do have to submit a claim to Aetna if you use a non-participating provider or if your care is not referred by Unicare.

2. Does the benefit waiting period for pre-existing conditions apply to this plan?

Yes. The provision is exactly the same as for the Costco medical plans, discussed on page 10.

3. If my mental health provider prescribes drugs, are these covered by the Mental Health and Substance Abuse Plan?

No. As with any other covered outpatient prescription drugs, the Costco Prescription Drug Program covers medically necessary drugs prescribed by Unicare participating providers.

Benefits in Brief – MENTAL HEALTH AND SUBSTANCE ABUSE PLAN

With referral and approval from Unicare	Plan benefits
Outpatient counseling, individual, family and group counseling sessions, up to 50 sessions per year per person.	First \$5,000 in covered expenses, paid 80%, no deductible
Other outpatient and inpatient services, <ul style="list-style-type: none"> • Level 1, Inpatient psychiatric hospitalization (one day of care = 1 unit) • Level 2, Day, evening or night treatment programs, including residential treatment (two days of care = 2 units) • Level 3, Outpatient programs providing structured treatment three to five hours per day (3 days of care = 3 units) For Levels 1, 2 and 3, benefits per person are payable for a maximum of 20 units per year and 60 units per lifetime	Covered expenses over \$5,000, paid 100%
Without referral and approval from Unicare	Plan benefits
Outpatient counseling, up to five sessions per year per person. Other outpatient and inpatient services not covered.	Paid 50% Reasonable and Customary (R&C) charges

WHAT'S NOT COVERED

Costco medical and other healthcare plans simply don't cover certain charges, while benefits for other costs are subject to strict limits. To give you an idea of how this works, here's an abbreviated list of expenses commonly excluded by the plans.

Examples of general exclusions for all Costco healthcare plan, including dental

- Charges payable under any motor vehicle medical, motor vehicle no-fault, uninsured motorist, under-insured motorist, personal injury protection (PIP), commercial liability, homeowner's policy or other similar type of coverage.
- Claims submitted more than one year after the date of service
- Court ordered care, such as counseling or alcohol or substance abuse treatment, unless the care would otherwise be eligible for plan benefits
- Custodial care, that is, services or supplies primarily to assist an individual in activities of daily living, rather than for the treatment of a medical condition.
- Services and supplies related to workers compensation cases or similar injury or illness arising in the course of any employment for wage or profit.
- Experimental or investigative care or therapy, unless:
 - the disease can be expected to cause death within one year, in the absence of effective treatment,
 - the treatment shows promise of being effective for that disease as demonstrated by scientific data and
 - the treatment is approved by a medical panel of experts selected by the plan administrator.

FOR A DETAILED LIST OF PLAN EXCLUSIONS and limitations, refer to your Employee Benefits Program Booklet. Or, feel free to call Aetna, **1-800-814-3543**, to discuss your personal situation.

Examples of specific Medical Plan exclusions

- Abortions, unless deemed medically necessary because the life of the mother is in danger if the child is carried to full term, except in cases of incest, rape or genetic deformities
- Cosmetic surgery, except if medically necessary:
 - due to deformities resulting from a non-occupational accident
 - due to illness or congenital defects that resulted in functional impairment
 - for any congenital defect of a newborn child, or
 - to reconstruct a breast following a mastectomy

The individual must have been covered under the plan at the time the deformity occurred or, in the case of congenital defect, at the time of birth, adoption or placement for adoption of the child.

- Dental care, orthodontics, or oral surgery except for medically necessary care for injury to sound natural teeth. See the Dental Plan section for a brief description of available dental benefits.
- External prostheses to replace prostheses due to loss, theft or destruction; biomechanical external prosthetic devices.
- Eye surgery on a voluntary basis, such as Lasik, keratotomy or similar procedures to correct eyesight.
- Infertility treatment, including in-vitro fertilization, artificial insemination, or embryo transfer procedures; reversal of sterilization procedures such as vasectomies or tubal ligations.
- Learning disabilities or developmental delays including related treatment or services, education testing, biofeedback or training. This includes treatment or services of a physician, mental health provider, physical therapist, occupational therapist, speech therapist or any healthcare provider.
- Maternity benefits for dependent children.
- Obesity or weight reduction services or supplies, except for the surgical treatment of morbid obesity that is medically necessary as recognized by the medical profession.
- Speech therapy to correct pre-speech deficiencies or to improve speech skills that have not fully developed.
- Massage therapy.

Examples of specific Vision Care Plan exclusions

- Non-prescription eyeglasses or contact lenses
- Replacement of lost or broken frames or lenses

Examples of specific Prescription Drug Program exclusions

- Fertility drugs, regardless of the intended use.
- Medications that can be legally dispensed without a prescription, such as aspirin, vitamins, nose drops, and food supplements even though prescribed by a doctor.
- Replacement of lost, broken, destroyed or stolen prescriptions.
- Smoking cessation drugs (such as Zyban); hair restoration medication (such as Propecia); drugs and medications for weight loss; Retin-A, other than for treatment of acne.
- Viagra, or similar drugs and medications, taken for the purpose of impotence or sexual dysfunction.

Example of a specific Mental Health and Substance Abuse Plan exclusion

- Outdoor treatment programs, also commonly called Wilderness Programs. These are programs, usually for adolescents, where the program consists of an outdoor survival or wilderness experience, aimed at helping a member with some emotional or behavioral problem. As part of the program participants reside in the outdoors and/or take part in wilderness treks. Licensure/Certification of these programs vary by state and often include a residential or boarding school component.

Your Map to Costco ... DENTAL PLANS

Regular dental care plays an important role in your overall health and well-being.

Costco dental plan options pay benefits for routine preventive care like cleanings and exams – not to mention more extensive services like fillings, crowns, root canals ... even orthodontia.

Here's a quick look at available dental plan options. Remember, since these are just highlights, the Employee Benefits Program Booklet is your resource for more details. That includes what the plans cover, what they don't, how to file claims, Coordination of Benefits, your rights to appeal a denied claim, your COBRA rights and practically anything else you want to know about the plans.

PLAN FACTS

Special plan enrollment rules To elect dental coverage, you must be enrolled for Costco medical coverage.

- You may elect any available dental plan you want, no matter which medical plan you choose.
- If you elect dental, any family members you've enrolled for medical must be covered by the same dental plan you choose for yourself.
- You may decline dental altogether, even if you elect medical coverage.

Dental plan options for part-time employees If you're a part-time employee who first became eligible for Costco medical and dental benefits:

- On or after October 1, 2003, the Core Dental Plan is your only option.
- Before October 1, 2003, you'll have exactly the same dental plan choices as full-time employees through 2006. Starting January 1, 2007, if you're still an eligible part-time employee you'll be limited to the Core Dental Plan.

Plan availability Core and Premium Dental (PPO) plans are available throughout the United States. Managed Dental Plan (DMO) is available only at Costco locations in these Managed Dental (DMO) plan service areas: Arizona (except location #466), California (except locations #121, #125, #133, #134, #136 and #142), Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas (except locations #284 and #932), Utah (except location #672) and Virginia (except location #238 and #239). You may not enroll a domestic partner in the Managed Dental Plan if you live in the state of Virginia.

Your biweekly contributions The amount you pay for dental plan coverage depends on which option you choose and how many family members you enroll. For example, you pay for each child you enroll – but nothing extra if you enroll more than four children.

PLANS AT A GLANCE

Administered by Aetna

- Core Dental Plan and Premium (PPO), 1-800-218-1458
- Managed Dental Plan (DMO), 1-800-843-3661

YOUR ACTUAL COST FOR DENTAL COVERAGE is shown in the Costco Rate Booklet, provided during initial enrollment and annual open enrollment.

TO FIND A PARTICIPATING AETNA DENTIST, call Aetna Member Services at 1-800-218-1458 (Core and Premium Dental) or 1-800-843-3661 (Managed Dental). Or, go to www.costcobenefits.com, FIND A PROVIDER.

CORE AND PREMIUM DENTAL PLANS (PPO)

Using Aetna PPO dentists These plans cover services of any qualified provider – but you could save money by using Aetna member dentists. Here’s why:

- Member dentists have negotiated with Aetna to provide services to plan participants at special rates. Member dentists will charge up to, but no more than these rates. That means you only have to pay any required deductible or co-insurance amounts. You pay nothing more for covered expenses, unless your charges exceed your plan’s maximum annual or lifetime benefit.

Using non-member dentists Since Aetna doesn’t have fees on file for non-member dentists, the plans pay benefits for their services based on the following, whichever is less:

- Their actual charges or
- The maximum allowable fees established by Aetna for non-member dentists. In general, “maximum allowable fees” means the average amounts most other dentists in your area charge for various services and supplies as determined by Aetna, using a national database of standard charges.

If a non-member dentist charges more than the maximum allowable fee, you’ll have to pay the excess plus the usual deductible and co-insurance amounts. Also, it’s up to you to make sure the provider submits any necessary claims or pre-determination of benefits. Participating PPO providers automatically handle all the paperwork for you.

Predetermination of benefits Anytime your dentist suggests services or procedures that may cost \$250 or more, be sure he or she requests a predetermination of benefits from Aetna. This will give you an advance estimate of:

- The services or procedures the plan may cover,
- The amount the plan is likely to pay for the treatment, and
- What your financial responsibilities may be.

Of course, benefits paid by the plan will depend on the actual services and procedures you receive, what the dentist actually charges, even which kind of provider you actually use – PPO or non-PPO dentist.

MANAGED DENTAL PLAN (DMO)

If you elect to enroll in the Managed Dental Plan you must elect a Primary Care Dentist. The Primary Care Dentist that you select will provide most of your care. If a referral to a specialist is necessary the Primary Care Dentist will refer you to a specialist that participates in the Managed Dental Plan.

Reimbursement of expenses is subject to a Dental Benefits Summary. An updated schedule will be sent to you every January from Aetna.

Benefits in Brief – DENTAL PLANS					
Plan Benefits	Core Plan		Premium Plan		Managed Dental
	In Network	Out of Network	In Network	Out of Network	
Annual deductible	\$50 individual \$150 family	\$50 individual \$150 family	\$50 individual \$150 family	\$50 individual \$150 family	No Deductible
Maximum annual benefit (for all services except orthodontia)	\$1,000	\$1,000	\$2,000	\$2,000	No Annual Maximum
Preventive services , such as routine exams and cleanings, twice per year	100% , no deductible	100% , no deductible	100% , no deductible	100% , no deductible	100% , after scheduled copay
Basic services such as fillings, extractions, root canals, periodontics (treatment of gums and soft tissues)	85% , after deductible	80% , of R&C after deductible	85% after deductible	80% of R&C after deductible	100% after scheduled copay
Major services such as crowns, bridges, dentures, implants	55% , after deductible	50% , of R&C after deductible	55% , after deductible	50% , of R&C after deductible	100% after scheduled copay
Orthodontia	50% , no deductible. Lifetime maximum benefit: \$1,000	50% , no deductible. Lifetime maximum benefit: \$1,000	50% , no deductible. Lifetime maximum benefit: \$1,250	50% , no deductible. Lifetime maximum benefit: \$1,250	Ortho Copay Schedule Treatment Limit: 24 months Active Treatment: 24 months retention

Employees ask about ... DENTAL PLAN BENEFITS

1. *How can we be sure the dentists listed in our plan's Provider Directory still belong to the network?*

Provider directories, even those online, can get out of date from time to time. That's why you need to call your chosen dentist directly, identify yourself as a plan participant, and ask if he or she is still in the network and accepting new patients. You can also call Aetna customer service to verify participation.

2. *My daughter lives out of state, but I'm responsible for her dental coverage. If I elect the Managed Dental plan, how will the plan work for her?*

To receive benefits under the Managed Dental Plan, the plan must be available where the member lives and the member must use an Aetna Primary Care Dentist. If the plan is not available or there are no Primary Care Dentists in her area, she will not be able to receive benefits under the Managed Dental Plan.

You should consider enrolling in Core Dental or Premium Dental if you want your daughter to receive dental care where she lives.

3. *My dentist gave me a resin filling. Why did my dental plan pay lower benefits based on an amalgam ("silver") filling?*

The plans pay benefits based on the most cost-effective procedure which produces a good professional dental result.

WHAT'S NOT COVERED

Costco dental plans simply don't cover certain charges, while benefits for other costs are subject to strict limits. To give you an idea of how this works, here's an abbreviated list of expenses commonly excluded by the plans. General healthcare plan exclusions discussed on page 22 apply to the dental plans, too.

FOR A DETAILED LIST OF PLAN EXCLUSIONS AND LIMITATIONS, refer to your Employee Benefits Program Booklet. Or, feel free to call Aetna to discuss your personal situation.

Examples of specific Dental Plan exclusions include:

- Consultations or elective second opinions
- Cosmetic dentistry, including teeth bleaching
- Cost of synthetic composite or filled resin restoration in excess of the cost of an amalgam (silver) filling
- A crown on the same tooth, unless there has been a two-year period since the previous crown was installed
- Desensitizing agents; analgesics such as nitrous oxide, conscious sedation or euphoric drugs, injections or prescription drugs; general anesthesia/intravenous (deep) sedation, except for covered oral, periodontal or endodontic surgical procedures
- Habit-breaking appliances
- Temporomandibular joint (TMJ) treatment

Your Map to Costco ... DISABILITY PLANS

Costco disability insurance plans protect you against lost income if you're ever unable to work due to illness, injury or other medical condition such as pregnancy.

Early in your disability, you may qualify to receive benefits from the Voluntary Short Term Disability, Salary Continuation or state mandated plans. If you're still disabled after those benefits end, then Long Term Disability can step in to replace a portion of your monthly earnings.

In this section, you'll get a quick look at available disability plan options. Remember, since these are just highlights, the Employee Benefits Program Booklet is your resource for more details, including what the plans cover, what they don't, detailed definitions of "disability" and other plan terms, how to file claims, your rights to appeal a denied claim, and practically anything else you want to know about the disability plans.

PLAN FACTS

Special Voluntary STD enrollment rules If the plan is available in your state, you first become eligible for the plan after completing 90 days of service, during which you worked at least 10 hours per week. You will be automatically enrolled for STD coverage when you reach your effective date. You will be given an opportunity prior to the coverage start date to decline coverage. A decline-coverage election form must be received prior to the start of coverage.

If you decline coverage at your 90-day anniversary and then change your mind, you have the following additional opportunities to enroll:

- Within the 31-day grace period following 90 days of service. Your coverage will be effective the date you complete the enrollment form.
- During any Annual Open Enrollment – in which case, your coverage will be effective the first of the month following a six-month waiting period (July 1).
- You may also enroll if you change from salaried to hourly status or you transfer from a state with mandatory short-term benefits to another state. You have 31 days from the date your status changes to complete an enrollment form. Your coverage will be effective the first day of the month following the date of your enrollment form.

Special LTD enrollment rules If you elect a Costco medical plan, long term disability coverage is included as part of your benefits package, no special enrollment required. If you *decline* Costco medical, you may enroll for LTD separately, as part of a benefit package that includes Basic Life and Basic AD&D.

Delay of coverage If you're not actively at work when disability plan coverage is due to begin, your coverage will not start until the day after you've been back on the job for one full day.

Your biweekly contributions If you do not decline Voluntary STD, you'll pay the full cost of your coverage starting when it actually goes into effect. This equals a small percentage of your base weekly earnings, to a maximum dollar amount per year.

PLANS AT A GLANCE

Insured by UNUM Provident, 1-877-403-9348

- Voluntary Short Term Disability (STD) for hourly employees, available in all states except California, New York, New Jersey, Hawaii, Rhode Island and Puerto Rico where workers are covered by state plans

- Long Term Disability (LTD) for hourly and salaried employees

Administered by UNUM Provident, 1-877-403-9348

- Salary Continuation Plan is automatic for eligible salaried employees, instead of Voluntary STD. .

YOUR ACTUAL COST FOR DISABILITY PLAN Coverage, including the annual maximum contribution for Voluntary STD, is shown in the Costco Rate Booklet. These are provided during initial enrollment and annual open enrollment. You may request a copy at any time from your payroll or Benefits representative.

For LTD coverage, Costco pays the full cost if you elect medical coverage. If you decline medical but elect LTD:

- Costco pays the majority of the cost but you must pay a small dollar amount, too, through payroll deductions.
- Employees who first became eligible for Costco medical and other benefits before October 1, 2003, pay less than those who become eligible on or after that date.

Qualifying for benefits To qualify to receive Voluntary STD or LTD benefits:

- You must meet that plan's definition of "disability,"
- You must be under a physician's regular care,
- Benefits must be approved by the insurance company, and
- You must provide proof of your continued disability if asked by the insurance company.

Other sources of income In addition to your Costco disability plan benefits, you or your family might qualify for income from Social Security or other sources due to your disability. If so, your plan benefits will be reduced by any other sources of income. That means you'll get up to, *but not more than*, what the plans alone would pay.

Taxability of benefits Since you pay the full cost of your Voluntary STD coverage, you don't have to pay income taxes on any plan benefits you may receive. You do have to pay income taxes and, for a period of time, FICA (Social Security/Medicare) when and if you receive benefits from LTD.

VOLUNTARY SHORT TERM DISABILITY PLAN

How the plan works Short Term Disability pays weekly benefits for disabilities due to non-work related medical conditions. If you become disabled while enrolled and qualify for benefits, STD benefits will:

- Begin after you've been away from work for seven calendar days due to the disability and
- Continue for up to 26 weeks after your disability begins or until you're no longer disabled – whichever comes first.

Plan benefits Benefits will replace up to 60% of your base weekly earnings up to \$1,000 per week.

LONG TERM DISABILITY PLAN

How the plan works Long Term Disability begins to pay monthly benefits after you've been totally disabled due to illness, injury or other medical condition, including work-related medical conditions for 26 weeks.

"Totally disabled" means, during your first 15 months of disability, due to your condition you're unable to:

- Perform the essential duties of your own job (or a reasonable alternative offered by Costco) and
- Earn at least 80% of your pre-disability earnings

After the first 15 months of disability, "totally disabled" means, due to your condition, you're unable to perform the essential duties of any job for which you're qualified by education, training or experience.

Plan benefits Gross LTD benefits replace 60% of basic monthly earnings, to a maximum benefit of \$7,000 per month. ("Gross benefits" means the benefit amount before taxes are withheld.) Minimum monthly benefit is \$100 for full-time employees and \$50 for part-time employees.

For example, when Royce became totally disabled, his base monthly earnings were \$3,500. His gross LTD monthly benefit is \$2,100 (60% x \$3,500).

Survivor benefits If you die while receiving LTD benefits, the plan will pay your survivor a lump sum equal to three times your gross monthly benefit.

Pre-existing conditions If you become disabled during your first 12 months of LTD coverage, UNUM Provident will review your claim. If they determine your disability is due to a pre-existing condition, you may not qualify for plan benefits.

For LTD, a "pre-existing condition" means an illness, injury or other medical condition for which, three months before LTD coverage began, you:

- Received treatment from or consulted a doctor,
- Received medical care, or
- Took prescribed drugs or medicines.

FOR STD, "BASE WEEKLY EARNINGS" MEANS Your hourly wage multiplied by average paid hours in the eight pay periods before you became disabled. It doesn't include any extra compensation, such as overtime pay or bonuses.

FOR LTD, "BASE MONTHLY EARNINGS" MEANS

- Hourly employees – your hourly wage multiplied by average hours worked in the eight pay periods before you became disabled.
- Salaried employees – your current annual pay divided by 12.

Base monthly earnings doesn't include any extra compensation, such as overtime pay, extra checks and bonuses.

FOR DISABILITIES DUE TO MENTAL ILLNESS The plan pays benefits for a lifetime maximum of 24 months, including the benefit waiting period. If you're hospitalized when you reach this lifetime maximum, LTD benefits may continue until you're released.

How long benefits may continue The plan will continue to pay benefits for most disabilities until the earliest of these dates:

- You're no longer disabled as defined by the plan,
- You fail to furnish proof of your disability when asked,
- You earn more than 80% of your indexed pre-disability earnings,
- You refuse to receive recommended treatment,
- Costco offers you a position that pays more than 60% of your pre-disability earnings but you refuse the offer,
- You reach your normal Social Security retirement age (exceptions apply to disabilities that begin on or after age 62) or
- You die.

Employees ask about ... **DISABILITY PLAN BENEFITS**

1. *If I'm getting LTD benefits, what will happen to those benefits if I return to work while I'm still disabled?*

Many Costco employees, even though they're still disabled, are ready to come back to work at least on a part-time basis. If this includes you, subject to approval by UNUM Provident the plan will continue to pay partial benefits while you work. Combined, your paycheck plus plan benefits are likely to add up to more than you'd get from the plan alone.

2. *Can we use our sick leave to supplement disability plan benefits?*

In general, yes – but be sure to check with your location's payroll or Benefits representative to see how this may work for you. Depending on the circumstances, you may be able to combine plan benefits with any sick leave, vacation time or holiday time you've earned to equal up to 100% of your pre-disability earnings.

3. *If I'm still too disabled to work after my Long Term Disability benefit waiting period ends, will I have to apply for LTD benefits?*

That depends:

- You won't have to apply if UNUM Provident has been paying your benefits under the Voluntary STD, Salary Continuation, or New York or Hawaii state mandated disability plans. UNUM Provident will automatically coordinate your transition to LTD benefits. Of course, before these benefits may begin, you'll have to qualify. That means, for example, you may be required to have a physical exam or agree to release your medical records when asked by the insurance company.
- You will have to apply for LTD benefits if you've been receiving benefits from the California, Rhode Island, New Jersey or Puerto Rico state plans; or Workers' Compensation.

WHAT'S NOT COVERED

Voluntary STD or Long Term Disability plans exclude payment of benefits in certain circumstances. For example, plan benefits are not payable for:

- Intentionally self-inflicted injuries;
- Injury or sickness as a result of you participating in a violent disorder, committing an assault or felony, or engaging in an illegal occupation, or
- While you are confined in jail.

FOR A DETAILED LIST OF PLAN EXCLUSIONS AND LIMITATIONS, refer to your Employee Benefits Program Booklet or to the insurance contracts available from Costco's Employee Benefits Department.

Also, feel free to call UNUM Provident, **1-877-403-9348**, to discuss your personal situation.

Your Map to Costco ... SURVIVOR BENEFIT PLANS

If you have a family – or anyone else – who depends on you financially, then life insurance can be essential. Good thing Costco offers Basic Life and AD&D free of charge, if you elect medical or Long-term Disability coverage. The plans protect you 24 hours a day, 365 days a week, on or off the job.

Need extra protection? Supplemental plans let you buy even more coverage for yourself and your family at affordable group rates

In this section, you'll get a quick look at available survivor plan options. Remember, since these are just highlights, the Employee Benefits Program Booklet is your resource for details, including what the plans cover, what they don't, reduction of benefits at age 70, coverage portability, how to file claims, your rights to appeal a denied claim and practically anything else you want to know about the plans.

PLAN FACTS

Special Basic Life and Basic AD&D enrollment rules. Coverage under these plans is automatic, no special enrollment required, if:

- You're enrolled in a Costco medical plan as an employee or as the spouse, domestic partner or child of an employee or
- You declined medical, but elected Long-term Disability. Note, in this case, your family is *not* eligible for Basic Life.

Special Supplemental Life and Supplemental AD&D enrollment rules As long as you're covered by Basic Life and Basic AD&D, you may enroll:

- Yourself in either or both Supplemental plans and
- Your eligible family members in any Supplemental plan you choose for yourself.

Delay of coverage On the day Basic Life or Supplemental Life coverage is due to begin if you're not actively at work, coverage for you and your enrolled family will not start until you've been back on the job for one full day.

Your biweekly contributions Costco pays the full cost of Basic Life, Basic AD&D and Business Travel Accident coverage for enrolled participants.

You pay in full for any elected Supplemental Life coverage. The cost of coverage for:

- You is based on your benefit amount and your age,
- Your spouse or domestic partner is based on his or her benefit amount and your age,
- Your children are a single flat biweekly rate, no matter how many you children you have.

The cost of Supplemental AD&D depends on your elected benefit amount and your family coverage option.

PLANS AT A GLANCE

Insured by UNUM Provident, 1-877-403-9348

- Supplemental Life plan for employees and families
- Basic Life plan for employees and families
- Basic Accidental Death & Dismemberment (AD&D) plan for employees only
- Supplemental AD&D plan for employees and families.

Insured by The Hartford, 1-888-563-1124

- Business Travel Accident (BTA) plan for salaried employees only

IF YOUR SPOUSE OR DOMESTIC PARTNER IS ALSO A BENEFITS-ELIGIBLE EMPLOYEE, Each of you may have "double coverage" under the Supplemental Life and Supplemental AD&D plans. That means...

- You may each be covered as an employee and also as a family member,
- Your eligible children may also be covered twice, by each of you, but
- There's a limit on the maximum amount of combined coverage per person – \$1.3 million (Supplemental Life) and \$1.5 million (Supplemental AD&D).

Your beneficiary This is the person you name to receive plan benefits if you die. (You're the automatic beneficiary for enrolled family members.) You designate your beneficiary when you first enroll for Costco medical and other benefits. You can choose:

- Different beneficiaries for each Costco survivor benefits plan and
- More than one beneficiary per plan.

After initial enrollment, you can change your beneficiary whenever you want. Simply submit a revised Beneficiary Form to your location's payroll or Benefits representative.

Reduction of benefits at age 70 For participants age 70 and older, life and AD&D insurance amounts are reduced to a percentage of the full benefit amount for other employees.

Accelerated life insurance benefits Terminally ill participants with life expectancies of 24 months or less may apply to UNUM Provident for partial pre-payment of Basic and Supplemental Life insurance. For more information, contact Costco Employee Benefits Department.

Continuing coverage After Costco group Life and AD&D insurance ends for you or your family, you may be able to continue the same coverage under an individual policy. To learn more about your options, contact UNUM Provident.

BASIC LIFE INSURANCE PLAN

How the plan works The plan pays the full benefit amount in a lump sum to beneficiaries of participants who die while covered.

Benefits for you As follows, your Basic Life insurance benefit amount depends on your employee classification and years of service with Costco.

- Benefit amounts, if not a round \$1,000, are rounded up to the next \$1,000.
- Maximum benefit for salaried and full-time employees: \$225,000
- If you're a salaried or full-time employee and had two or more years of service at the end of 2003, your Basic Life benefits equal 3 x annual base earnings. If you had less than two years of service, the following schedule applies.

Imputed income on your coverage Because Costco pays the full cost of your Basic Life insurance, the IRS considers the value of any coverage over \$50,000 to be "imputed income" to you. You'll have to pay taxes on that imputed income the same as any other income

Benefits for your family Family members enrolled for Costco medical coverage have automatic Basic Life coverage. For spouses and domestic partners, the benefit is \$1,500. For each dependent child, the benefit is:

- \$1,500 (live birth to age 19 or, for full-time students, to age 23)

For these eligible employees*		
Salaried or full-time hourly	With this many years of service	Basic life benefits equal
	0 up to 2 years	1 x base annual earnings
	2 up to 5 years	2 x base annual earnings
	5 or more years	3 x base annual earnings
Part-time	Any number of years	\$15,000

**Employees eligible under Executive Life Insurance plan will receive a maximum of \$50,000 in life insurance coverage under the Basic Life Insurance plan. The Executive Life Insurance plan does not affect benefits under the Basic AD&D plan.*

SUPPLEMENTAL LIFE INSURANCE PLAN

How the plan works The plan pays a lump sum to beneficiaries of participants who die while covered. Supplemental benefits are in addition to any amounts paid by other Costco survivor benefit plans.

Benefits for you If you are benefit-eligible, you may elect Supplemental Life coverage in \$10,000 increments – \$10,000, \$20,000, \$30,000, \$40,000, and so on.

The most you may elect is five times your base annual earnings or \$1 million, whichever is less. If not an increment of \$10,000, this maximum is rounded down to the next nearest \$10,000.

For example, say you make \$39,000 per year. Your maximum benefit would be \$190,000 (\$39,000 x 5 = \$195,000 rounded down to the next \$10,000).

Benefits for your family If you elect Supplemental Life for yourself, you may also enroll your family. Family coverage options are: your spouse or domestic partner only; your children only; or your spouse or domestic partner and your children.

- For your enrolled spouse or domestic partner, you may elect coverage in \$10,000 increments – all the way up to 50% of your Supplemental Life benefit amount or \$300,000, whichever is less.

For example, if your Supplemental Life benefit is \$80,000, you may cover your spouse or partner for up to \$40,000 (50% x \$80,000).

- For your enrolled children, coverage equals \$5,000 per dependent child.

YOUR ACTUAL COST FOR SURVIVOR PLAN Coverage is shown in the Costco Benefit Rate Booklet. These are provided during initial enrollment and annual open enrollment.

FOR COSTCO SURVIVOR BENEFIT PLANS, Base annual earnings means ...

- Hourly employees – your current hourly wage, multiplied by 2,080 hours for full-time employees and 1560 hours for part-time employees.
- Salaried employees – your current annual pay.

Base annual earnings doesn't include any extra compensation, such as overtime pay, extra checks and bonuses.

Proof of good health When you first become eligible for Costco benefits, you can elect any available amount of Supplemental Life insurance you want up to the “guaranteed amounts” – \$300,000 for yourself or \$150,000 for your spouse or domestic partner.

During initial enrollment, you only have to provide proof of good health if you want to elect more than the guaranteed amounts. After initial enrollment, proof of good health is required to:

- Increase current coverage by more than \$20,000 for you and \$10,000 for your spouse or domestic partner,
- Elect coverage for yourself in any amount over \$300,000, or for your spouse or domestic partner in any amount over \$150,000, or
- Enroll yourself or your spouse or partner for any benefit amount if you previously declined coverage.

IF YOU'RE REQUIRED TO PROVIDE PROOF OF GOOD HEALTH, You can call UNUM Provident, **1-877-403-9348** to check on the status of your Supplemental Life application. Any coverage above the guaranteed amounts will go into effect once approved by UNUM Provident.

Portable benefits The basic and supplemental life plans are ‘portable’ for enrolled employees and their spouses or domestic partners. That means, after your group plan coverage ends you can continue the same coverage on an individual basis. For the first 31 days of continued coverage, Costco will pay the premium on your behalf. After that, UNUM Provident will send you an invoice which you must pay to continue coverage.

ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE PLANS (AD&D)

How the plans work The Basic and Supplemental AD&D plans pay benefits if you accidentally die or have certain other physical losses within 365 days after a covered accident. Benefits are in addition to any paid by your Costco Life insurance plans.

As a participant, you’re covered by a “primary benefit” amount. If you sustain a covered loss, AD&D will pay a percentage of that amount.

If you have two or more covered losses, AD&D pays for all losses up to your primary benefit amount.

Basic AD&D benefits for you As follows, your Basic AD&D primary benefit depends on your employee classification and years of service.

- Benefit amounts, if not a round \$1,000, are rounded up to the next \$1,000.
- Maximum benefit for salaried employees, full-time employees and executives: \$225,000
- If you’re a salaried or full time employee and had two or more years of service at the end of 2003, your Basic AD&D primary benefit equals 3 times your base annual earnings. If you had less than two years of service, the below schedule applies.

Basic AD&D benefits for your family Not available.

If bodily injuries result in:	AD&D pays this % of primary benefit
• Loss of life	100%
• Loss of any combination of two: hand or hands, foot or feet, entire sight in one eye or two eyes	100%
• Loss of speech and hearing in both ears	
• Total paralysis of upper and lower limbs	
• Total paralysis in both lower limbs	75%
• Loss of one hand, one foot or entire sight in one eye	50%
• Loss of speech	
• Loss of hearing in both ears	
• Total paralysis of upper and lower limbs on one side of the body	
• Loss of thumb and index finger on same hand	25%

For these eligible employees*		
Salaried or full-time hourly	With this many years of service	Basic AD&D Primary Benefit equals
	0 up to 2 years	1 x base annual earnings*
	2 up to 5 years	2 x base annual earnings*
	5 or more years	3 x base annual earnings*
Part-time	Any number of years	\$15,000

*The maximum compensation for 2006 will be \$220,000 and will be indexed annually to comply with IRS limits.

Supplemental AD&D benefits for you If you're covered by Basic AD&D, you may also elect Supplemental AD&D. Primary benefit amounts are available in \$50,000 increments. You may choose any benefit you want, no proof of good health required, up to these maximums:

- \$250,000 if you earn \$25,000 or less per year
- 10 times base annual earnings if you earn more than \$25,000 per year, to a maximum of \$1.5 million

Example: How AD&D pays benefits Tanya is a full-time employee with five years of service. She earns \$32,000 per year, so her primary benefit for Basic AD&D is \$96,000 (3 x \$32,000). In addition, Tanya elects \$100,000 Supplemental AD&D.

For accidental losses covered at this % of the primary benefit	Basic AD&D pays	Supplemental AD&D pays	For a combined total of
100% , such as loss of life or total paralysis of upper and lower limbs	\$96,000 (100% x 96,000)	\$100,000 (100% x \$100,000)	\$196,000
75% , total paralysis of both lower limbs	\$72,000 (75% x 96,000)	\$75,000 (75% x \$100,000)	\$147,000
50% , such as loss of one hand	\$48,000 (50% x 96,000)	\$50,000 (50% x \$100,000)	\$98,000
25% , such as loss of thumb and index finger on same hand	\$24,000 (25% x 96,000)	\$25,000 (25% x \$100,000)	\$49,000

Supplemental AD&D benefits for your family Provided you've elected Supplemental AD&D for yourself, you may elect one of these options:

- Family coverage, applies if you have a spouse or domestic partner only; or a spouse or domestic partner and dependent child or children.
- Children's coverage, applies if you have a dependent child or children but no spouse or partner.

As follows, your family's make up will determine benefit amounts.

If you have	Benefit for your spouse or domestic partner equals	Each child's benefit equals
Spouse or domestic partner only	65% of yours	Not applicable
Spouse or domestic partner and dependent children	55% of yours	10% of yours
Dependent child or children only	Not applicable	20% of yours

Example: How Family Supplemental AD&D Works

Barry, a Costco employee, is married to Cheryl. They have two young children. He elects \$100,000 Supplemental AD&D for himself and also enrolls his family:

- **Cheryl's primary benefit:** \$55,000 (55% x \$100,000)
- **Children's primary benefit:** \$10,000 per child (10% x \$100,000)

For losses covered at the % of benefit	For Cheryl, plan benefits are	For each child, plan benefits are
75%	\$41,250 (75% x \$55,000)	\$7,500 (75% x \$10,000)
50%	\$27,500 (50% x \$55,000)	\$5,000 (50% x \$10,000)
25%	\$13,750 (25% x \$55,000)	\$2,500 (25% x \$10,000)

Special features of the Basic and Supplemental AD&D plans

In certain special situations, the plans may pay additional benefits. These include, for example:

- Seat belt benefit, if you die due to a car accident while wearing a seat belt
- Felonious assault benefit, if you have a covered loss due to a criminal act of or by another person
- Education benefit, to help pay for your enrolled family's education and training if you die due to a covered accident

Portable Benefits The Basic and Supplemental AD&D plans are "portable" for enrolled employees and their spouses or domestic partners. That means, after your group plan coverage ends you can continue that same coverage on an individual basis. For the first 31 days of continued coverage, Costco will pay the premium on your behalf. After that, UNUM Provident will send you an invoice which you must pay to continue coverage.

BUSINESS TRAVEL ACCIDENT (BTA) PLAN

BTA is a special plan for salaried employees. It pays benefits for death or other covered physical losses due to an accident that happens while on:

- A business trip for the company or
- The regular commute from home to work.

The BTA primary benefit amount is \$250,000. Depending on the covered loss, the plan will pay a percentage of this primary benefit. Any benefits are in addition to those paid by other Costco survivor plans, including Life and AD&D insurance.

EMPLOYEES ASK ABOUT ... SURVIVOR PLAN BENEFITS

1. I have more than \$50,000 Basic Life coverage. How much will that add to my taxable income?

Your pay stub, under "TaxLif" (Taxable Life Insurance), shows exactly how much is added as imputed income due to the value of Basic Life coverage over \$50,000. This income amount is figured based on the value the IRS assigns per \$1,000 of coverage – the older you are, the greater the value.

For example, let's take two employees each with \$150,000 in Basic Life insurance. While tax tables may change from time to time, in 2004 here's how much that \$100,000 in "excess coverage" would add to these employees' taxable income based on their ages:

For the employee this age	The imputed value would add this much taxable income per month	And this much taxable income per year
Age 32	\$8	\$96 per year
Age 46	\$15	\$180 per year

2. I sure hate the thought of paying extra taxes. Even though I'm eligible for \$100,000 Basic Life insurance, can I elect to limit my benefit to just \$50,000?

Yes, you can apply to the Costco Benefit Department to limit your coverage to \$50,000. But before you do that, consider that any additional taxes you may pay on the imputed income are likely to be relatively small. If you're like many employees, you may decide this important benefit is worth any potential additional taxes.

3. What is acceptable "proof of good health?"

Usually this just means the health questionnaire you complete on the Evidence of Insurability Form, which you must submit when you apply for Supplemental Life insurance. Depending on your health history, in some cases the insurance company may also require additional proof, such as a physical exam.

4. What happens if I elect more than \$300,000 in Supplemental Life coverage for myself during initial open enrollment, and the insurance company rejects my proof of good health?

As long as you elect this benefit when first eligible, you're still eligible for coverage up to the \$300,000 "guaranteed amount" – regardless of whether or not your proof of good health is accepted by the insurance company.

5. Except for Supplemental Life insurance, do any other Costco survivor benefit plans ever require proof of good health?

No. Basic Life, Basic AD&D, and Supplemental AD&D do not require proof of good health for any amount of coverage. Also, proof of good health is not required for children's Basic Life, Supplemental Life or Supplemental AD&D plan coverage

WHAT'S NOT COVERED

The AD&D and BTA plans exclude payment of benefits in certain circumstances. Here's an abbreviated list of what the plans don't cover:

- Losses due to intentionally self-inflicted injuries while sane or self-inflicted injuries while sane or insane; war or act of war, whether declared or undeclared; or received while in any armed services of any country or international authority.
- Travel or flight while acting as or performing the duties of a pilot or crew member or flight instructor or examiner in any kind of aircraft (except as provided below).
- Flying in any aircraft owned or operated by Costco, unless previously consented to in writing by the insurance carrier. Special policies are available for employees on file with Costco as authorized airplane pilots or crew members.

FOR A DETAILED LIST OF AD&D PLAN EXCLUSIONS AND LIMITATIONS, refer to your Employee Benefits Program Booklet or to the insurance contracts available from Costco's Benefits Department.

Also, feel free to call UNUM Provident, **1-877-403-9348**, to discuss.

Your Map to Costco ...

REIMBURSEMENT ACCOUNTS

Do you pay someone to take care of your children or other dependents while you're at work? Do you have healthcare expenses that simply aren't covered by any benefit plan?

Bet you'd welcome an easy and convenient way to save money on your out-of-pocket costs. That's where the Costco Reimbursement Accounts come in. They reimburse your eligible expenses with tax-free money – and that can mean sizable savings for you!

In this section, you'll get a quick look at the Reimbursement Accounts. Remember, since these are just highlights, the Employee Benefits Program Booklet is your resource for details such as what's covered, what's not, how to file claims, your rights to appeal a denied claim, and practically anything else you want to know about the plans.

PLAN FACTS

Special plan enrollment rules If you've elected Costco medical or Long Term Disability coverage, you may enroll in the:

- Dependent Care Assistance Plan when you first become eligible for Costco medical or other benefits; during any annual open enrollment period; or if appropriate, following a qualified change in status (see page 8).
- Health Care Reimbursement Account during the annual open enrollment period. Annual open enrollment is also the only time you may change your current elections.

What you may contribute When you enroll, you decide how much you want to contribute to the Account or Accounts of your choice on a before-tax basis:

- Dependent Care Assistance Program, in most cases you may contribute up to \$5,000 per year (\$2,500 per year for married filing separately). This annual limit applies to the combined total you and, if you're married, your spouse may contribute to this or any other employer's plan.
- Health Care Reimbursement Account, you may contribute from \$120 up to \$5,000 per year (full-time employees) or \$2,500 per year (part-time employees) per household.

How the plans work While there are some differences between the Accounts, they have the same simple mechanics:

1. You make contributions. Account contributions come out of your bi-weekly paychecks in equal amounts throughout the year, before income taxes or Social Security taxes are withheld. The money is credited to your elected Account or Accounts.
2. You pay expenses. After you've incurred eligible costs, in most cases first you have to pay the bill out of your own pocket.
3. You seek reimbursement. You must submit a claim form to get repaid by the DCAP. The Health Care Reimbursement Account repays most expenses automatically, with no claim form required. You can incur healthcare

expenses until March 15 of the following year. You have until April 30 to submit your claim for reimbursement.

4. You get reimbursed. For most expenses, Aetna sends you a check from the balance in the appropriate Account – you can even choose to have the check deposited directly into your checking account.

PLANS AT A GLANCE

Administered by Aetna, 1-800-814-3543

- Dependent Care Assistance Plan (DCAP)
- Health Care Reimbursement Account

GOT QUESTIONS? AETNA HAS ANSWERS!

Aetna is a good source if you want to find out more about the Reimbursement Accounts (also called Flexible Spending Accounts or FSAs) – including how they work, and what costs are eligible, what are not.

- **1-800-814-3543**, to speak to an Aetna representative
- **www.aetnavigators.com** to track your claim
- **www.aetna.com/fsa** to learn plan basics, use tax savings calculators and link to IRS Web sites where you can learn more about what may be eligible for reimbursement according to the federal government.

EXAMPLE: THE BEFORE-TAX ADVANTAGE

To show how using a Reimbursement Account can help you save money, let's take Elliot, a Costco employee. Elliot has a federal tax rate of 22.65% (15% income tax + 7.65% FICA). As a result, for each \$100 in eligible costs:

- He pays with **after-tax** money, Elliot has to earn a lot more than \$100. That's because, after federal taxes are withheld on \$100 in earnings, he'll end up with take home pay of only about \$77.35 (\$100 - \$22.65).
- He is reimbursed with before-tax money through an Account, there's no tax bite. As a result, each \$100 he pays for eligible costs represents actual \$100 in earnings. In effect, Elliot saves what would otherwise have gone to pay taxes.

The higher your income tax bracket, potentially the more you'll save. And, if you pay state income taxes, you're likely to save even more because plan contributions are tax-free in most all states.

To see how this might work for you, check out the tax savings calculator at **www.aetna.com/fsa**.

“Use It or Lose It.” Tax laws say you must forfeit any money left in an Account at the end of the year, after you’ve been reimbursed for all eligible expenses. To avoid forfeiting any money, just be sure you’re realistic and conservative when it comes to estimating your upcoming expenses. After all, you can always elect to contribute less than you think you’ll need for the year.

DEPENDENT CARE REIMBURSEMENT ACCOUNT (DCAP)

Eligible expenses. You can use this plan to reimburse costs of most non-educational, non-medical care for eligible dependents. The purpose of the care must be to allow you (and, if you’re married, your spouse) to work.

That’s why, if you’re married, federal law says you can use this plan only if your spouse is employed. The exception is if he or she is a full-time student or mentally or physically incapable of self care. In that case, to reflect the law, our plan will allow you to contribute up to:

- \$200 (if you have one child) per month or
- \$400 (two or more children) per month.

Eligible dependents This includes your:

- Children under age 13 and
- Older dependents, such as an elderly parent or disabled spouse, if they are mentally or physically incapable of taking care of themselves.

Eligible providers This includes:

- Licensed daycare centers
- baby-sitters inside or outside your home
- Your relatives, including your children age 19 or older, as long as you don’t claim them as dependents.

Note, under the Internal Revenue Code, providers are required to declare the income they receive from their services on their annual tax returns.

Getting reimbursed After you incur an eligible dependent care expense, you must submit a claim form to Aetna for reimbursement. They’ll send you a check for the amount of your claim.

If there’s not enough money in your Account, you’ll receive a partial payment – and the balance later, if and when you’ve made further contributions.

Filing your federal income taxes When you file your federal income tax return at the end of the year, you must attach special form #2441 “Child and Dependent Care Expenses” to show costs reimbursed by the DCAP.

IF YOUR SPOUSE WORKS PART-TIME You may participate in the Dependent Care Reimbursement Account – but you can only be reimbursed up to the amount he or she earns per year. For instance, if your spouse earns \$1,200 a year, that’s the most you can elect to contribute to your Account for the year.

YOU MUST INCLUDE YOUR PROVIDER’S TAX IDENTIFICATION NUMBER when you submit a claim for reimbursement from your DCAP.

- For baby-sitters and other self-employed providers, this usually means their Social Security Numbers.
- Tax ID numbers for church groups and other tax-exempt organizations are not required.

DCAP versus federal tax credit While the DCAP is likely to provide better tax savings for many employees, you should be aware that the IRS offers a tax credit for dependent care costs. Which might be better for you? That depends on your particular situation. To find out more, you might want to talk to your personal tax advisor.

HEALTH CARE REIMBURSEMENT ACCOUNT

Eligible expenses This Account can reimburse many health care expenses incurred by you, your spouse or your dependents – as long as the costs aren’t covered by any other plan. This may include, for example:

- Health plan out-of-pocket costs such as annual deductibles, coinsurance, co-pays, amounts exceeding Reasonable and Customary (R&C) or allowable charges.
- Other healthcare costs, including those not covered or only partially paid by your other plans, for example, orthodontia, hearing aids, acupuncture, extra eyeglasses, including prescription sunglasses, over-the-counter medicine, such as aspirin and allergy medicine, medical equipment, chiropractic services, guide dogs, stop smoking classes, medically necessary treatment of obesity, prescription drugs, laser eye surgery to correct vision, and a whole lot more.

EXAMPLE: HOW THE ACCOUNT REIMBURSES EXPENSES

During annual open enrollment, Kelly elects to contribute \$1,200 to the Account for the coming year. In early February, she incurs \$800 in eligible expenses.

- Even though she's only contributed \$150 so far, the plan reimburses \$800.
- Her Account is left with a balance of \$400 (\$1,200 minus \$800) to reimburse any eligible expenses she incurs for the rest of the year.

Getting reimbursed The Health Care Reimbursement Account will reimburse your covered expenses up to your full annual elected contribution (minus any previous reimbursement).

When you elect to participate in the Health Care Reimbursement Account your account is automatically setup for a process called Streamlining Claims. With Streamlining, Aetna can automatically reimburse you for any eligible health care expenses that Aetna processes without a paper claim form or receipts. It also allows Aetna to pay your pharmacy co-pays directly from your FSA account to the Costco or Network pharmacy. While most Employees like streamlining it doesn't work for everyone. You should contact Aetna to have your streamline option turned off:

- If you or your family members have other insurance coverage and you want to submit your claims to that other insurance company first.
- If you wish to use your FSA account for a specific service such as orthodontia, or over-the counter expenses.

Special Note: Expenses incurred by your domestic partner or their children are not eligible for reimbursement from your Health Care Reimbursement Account. Costco will automatically turn off Streamlining for any employee that has a domestic partner on the plan.

Reimbursement Account versus IRS tax deduction The IRS offers a deduction for medical costs over 7.5% of your income – you can use either the tax break or the Health Care Reimbursement Account, not both. To find out which option makes most sense for you, you might want to talk to your personal tax advisor.

EMPLOYEES ASK ABOUT ... REIMBURSEMENT ACCOUNTS

1. *My daughter will turn 13 in July. Since her daycare costs will no longer be eligible when she reaches that age, can I stop my DCAP contributions at that time?*

Yes, you can make mid-year changes to your DCAP contributions following an appropriate change in status – and your child reaching the maximum eligible age definitely qualifies.

2. *Can I use the Reimbursement Accounts to pay for daycare or health expenses incurred by my domestic partner or her children?*

Probably not. According to the Internal Revenue Service, you can use your Accounts to pay their expenses only if you can claim them as dependents for income tax purposes.

3. *I pay my daycare bill for the coming month at the beginning of each month. When can I get reimbursed from my DCAP?*

The tax rule is you have to wait until after you receive the services to get reimbursed. For example, say you pay for October day care services on the 1st of the month. The plan can reimburse you only after the end of the month, October 31

To get repaid faster, here's an idea – ask your provider to bill you more often than once per month, after services have been rendered. In fact, if you get the bill every two weeks, you could even submit the claims so they coordinate with your biweekly contributions to the Account.

4. *I pay my mother to baby-sit my 2-year old while I'm at work. Can I get reimbursed by the DCAP for those costs?*

Sure, as long as you don't claim your mother as a dependent for income tax purposes. But, remember, she must declare the money you pay her for income tax purposes. Plus, you'll have to report her Social Security Number or, if applicable, Tax ID Number when you claim reimbursement.

WHAT'S NOT COVERED

Costco Reimbursement Accounts simply don't cover certain charges. To give you an idea of how this works, here's an abbreviated list of expenses commonly excluded by the plans.

Examples of costs not eligible under the Dependent Care Assistance Plan:

- Overnight camp
- Care provided by anyone you claim as a dependent on your income tax return
- Care by your child who will be under age 19 on December 31 of the year in which expenses are incurred – even if you don't claim that child as a dependent

Examples of costs *NOT* eligible under the Health Care Reimbursement Account:

- Costs paid by any other insurance plan
- Vitamins and food supplements
- Cosmetic surgery, treatment or procedures, unless medically necessary due to injury, disease or birth defect
- Healthcare premiums of any kind, including Medicare Part B premiums (note that this expense is eligible for the tax deduction, but not for reimbursement through your Account)
- Weight-control products or services unless medically necessary

FOR A DETAILED LIST OF PLAN EXCLUSIONS AND LIMITATIONS, refer to your Employee Benefits Program Booklet. Or, feel free to call Aetna, **1-800-814-3543**, to discuss your personal situation.

Your map to Costco ... LONG TERM CARE PLAN

*Who knows what the future will bring? But the plain fact is, sooner or later many of us may need ongoing help with everyday living due to mental or physical disability. Whether that means a nursing home stay, assisted living services, or even home healthcare, the costs can be sky-high. The Costco Long Term Care (LTC) plan gives you a way to take steps **now** to help pay those potential costs **tomorrow**.*

In this section, you'll get a quick look at the Long Term Care plan. Remember, since these are just highlights, the Employee Benefits Program Booklet is your resource for more details, including what the plan covers, what it doesn't, detailed definitions of various terms, how to file claims, your rights to appeal a denied claim and practically anything else you want to know about the plan.

PLAN FACTS

Special plan enrollment rules Eligible employees and their spouses or domestic partners may generally enroll in the plan or add Buy-Up options at any time of the year.

However, the special LTC enrollment period is held in July:

- If you're a new employee, this is your first chance to enroll in the plan after you've completed initial eligibility requirements for Costco medical and other benefits.
- If you've completed 10 years of service, you'll be enrolled automatically for the plan's Basic Benefit. At this time, whether or not you're already in the plan, you may also add Buy-Up options.

Evidence of insurability ("proof of good health") Proof of your good health is not required to enroll for the Basic Benefit or to add Buy-Up options during the special July enrollment period that follows:

- Your initial eligibility for Costco benefits or
- Your 10-year anniversary with Costco.

To enroll in the plan or add Buy-Up options at any other time, you must provide the insurance company with acceptable proof of good health before your coverage will begin. Also, your spouse or domestic partner must provide proof of good health no matter when he or she is enrolled.

Your biweekly contributions Employees with less than 10 years of service pay the full cost of their elected LTC coverage, including Basic Benefits and any Buy-Up options. For those with 10 or more years of service, Costco pays in full for the plan's Basic Benefit while employees pay the cost of any Buy-Up options.

If you pay for your coverage, your cost will depend on:

- The coverage you elect (Basic Benefit only or Basic Benefit and Buy-Up Options) and
- Your age – the younger you are when coverage begins, the lower the costs will likely be now and into the future.

PLANS AT A GLANCE

Insured by UNUM Provident, 1-800-403-9348

- Long Term Care, Basic Benefit
- Long Term Care, Buy-Up options

TO ENROLL IN THE LTC PLAN You must be eligible for the Costco Employee Benefits Program and enrolled for Costco medical or Long Term Disability coverage. Before LTC coverage may begin, you must be actively at work.

YOUR ACTUAL COSTS FOR LONG-TERM CARE are included with the LTC enrollment package. Enrollment packages are available during the plan's special mid-year enrollment period or you may call and request a package from UNUM Provident at **1-800-403-9348**.

PARENTS AND GRANDPARENTS, Siblings and adult children, yours and your spouse or domestic partner's, may also be able to buy individual LTC policies – at favorable Costco group rates. For more information, have them contact UNUM Provident directly. And make sure they mention the Costco plan when they call.

LTC for spouses and domestic partners Even if you decline coverage for yourself, you may enroll your spouse or domestic partner under age 85.

- You'll pay the full cost of his or her coverage through biweekly payroll deductions.
- He or she must provide proof of good health and be approved by the insurance company before coverage may begin.

Delay of coverage If an individual is disabled on the day coverage is due to begin, coverage for that person won't start until he or she is no longer disabled.

Portable benefits The LTC plan is "portable" for enrolled employees and their spouses or domestic partners. That means, after your group plan coverage ends you can continue the same coverage on an individual basis. For the first 30 days of continued coverage, Costco will pay the premium on your behalf. After that, UNUM Provident will send you an invoice which you must pay to continue coverage.

LONG TERM CARE BENEFITS

How the plan works If you become disabled, the plan will help cover the costs of certain kinds of Long Term Care, including inpatient, outpatient and home healthcare services. Monthly payments are sent directly to you or your financial representative.

The plan includes a “facility benefit” amount, which is the maximum monthly amount payable for inpatient care. Depending on the kind of covered care you receive, plan benefits will equal a percentage of the facility benefit.

PLAN BENEFITS MAY BEGIN After 90 days in which you’ve been receiving covered care and you’re disabled as defined by the plan. This means you have ...

- A loss of two or more “Activities of Daily Living” – skills like dressing and bathing that you need to live independently or
- A severe cognitive impairment that requires substantial supervision. “Cognitive impairment” refers to the severe deterioration of your mental capacity.

Benefits in Brief – LONG TERM CARE PLAN

Covered Costs	Basic monthly benefits
Long Term Care and nursing home facility inpatient care	\$1,000 facility benefit
Assisted living services	\$600 (60% of facility benefit)
Adult day care or hospice services	\$500 (50% of facility benefit)
Professional home care home visits by a licensed home healthcare provider	\$500 (50% of facility benefit)
Long Term Care and nursing home facility inpatient care	\$1,000 facility benefit
Plan features	Basic monthly benefits
Duration of payments – how long the plan may pay benefits	Up to a lifetime maximum of 36 months or \$36,000 – whichever is more
Inflation protection to help keep the value of your LTC benefits from eroding due to inflation over the years	Monthly facility benefit increases 5% of original amount each year you pay premiums

Buy-Up options You may elect a variety of Buy-Up options to enhance the Basic Benefit. Each option has its own price tag:

- Increased facility benefit, in \$1,000 increments, up to a maximum monthly benefit of \$6,000 (Basic plus Buy-Up options combined).
- Additional benefit for total home care, which includes home care provided by friends or relatives not otherwise covered.
- Longer duration of payment, the plan may continue to pay benefits for up to a lifetime maximum benefit of 72 months or 72 times the monthly facility benefit – whichever is more.

When benefits will end The LTC plan may continue to pay benefits until the earliest of these dates:

- You’re no longer disabled as defined by the plan,
- Your physician’s certificate of loss of Activities of Daily Living expires,
- You’re no longer receiving covered care,
- You die, or
- You receive the lifetime maximum benefit payment.

EMPLOYEES ASK ABOUT ... LONG TERM CARE BENEFITS

1. I’m 40 and in good health. Why should I buy LTC insurance now?

Of course, the choice is yours. But, remember, any of us could end up needing this kind of financial support at any time – not just in our senior years. Can you accurately predict when you may experience a serious on-going illness or injury? Fact is, if you ever need Long-term care, you’ll be glad to have this benefit.

Besides, compared to starting at an older age, the younger you are when you begin participating:

- The less you’ll pay for your coverage and
- While the insurance company has the right to increase costs, the rate you pay will always be based on your age when you enrolled.

2. Can I drop LTC coverage anytime I want?

Yes, but think twice before you do. If you want to re-enroll later, you may have to provide acceptable proof of your good health. What’s more, you could end up paying more for coverage, depending on your age when you re-enroll.

3. How long do we have to keep paying LTC premiums?

Just as long as you want your coverage to continue! Once you stop paying premiums, your coverage will end. The exception is, you don’t have to pay premiums while you’re receiving plan benefits.

WHAT'S NOT COVERED

The Long Term Care plan excludes payment of benefits in certain circumstances. Here's an abbreviated list of what the plans don't cover:

- Disabilities caused by or resulting from war, attempted suicide or self-destruction, commission of a felony, alcoholism or voluntary use of any controlled substance not prescribed by your physician.
- Care for Loss of Activities of Daily Living or severe cognitive impairment that existed before you became covered by the plan.
- Disabilities while you are outside the United States for longer than 30 days.
- Any periods more than 15 days in each calendar year during which you are confined in a hospital facility for acute medical care.

FOR A DETAILED LIST OF PLAN EXCLUSIONS AND LIMITATIONS, refer to your Employee Benefits Program Booklet or to the insurance contracts available from Costco's Benefits Department

Also, feel free to call UNUM Provident, **1-877-403-9348**, to discuss your personal situation.

