



A UnitedHealth Group Company

DefinitySM Health Savings Account
from UnitedHealthcare

DefinitySM HSA





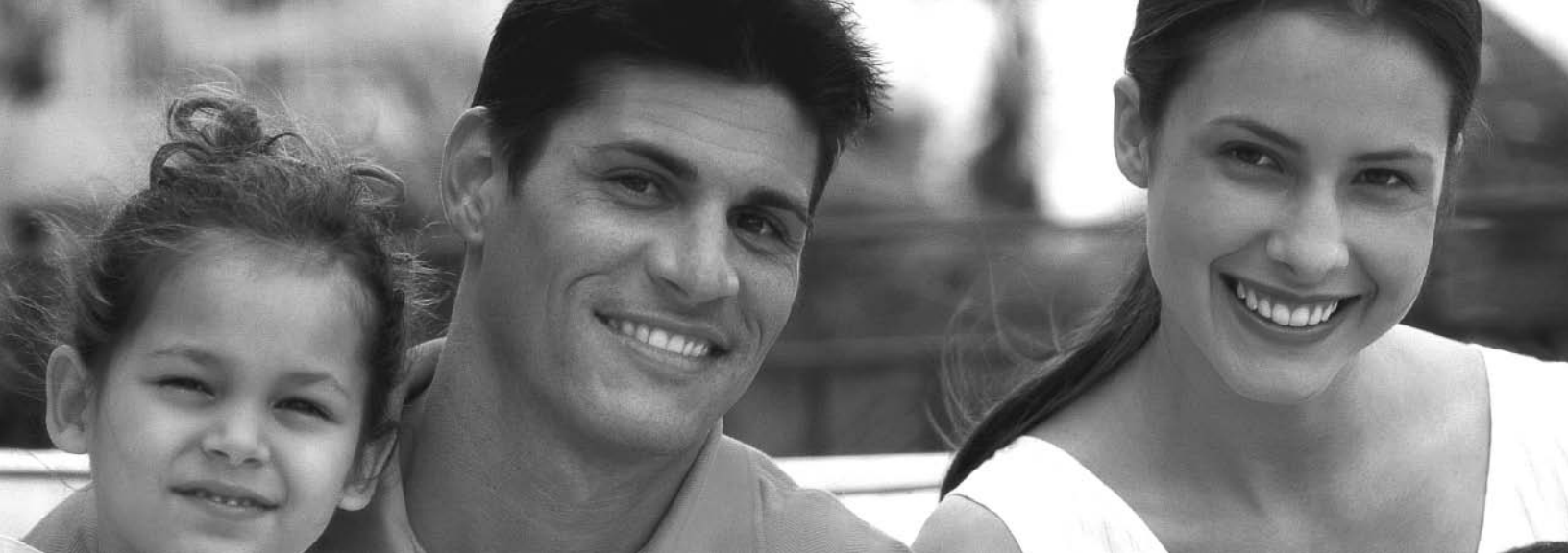
DefinitySM Health Savings Account

Providing the benefits, strategies, resources and financial incentives to drive consumer-minded thinking into everyday health care decisions.

The DefinitySM Health Savings Account (HSA) from UnitedHealthcare empowers individuals to make the right decisions about their health and their health care financial planning by integrating core medical benefits, comprehensive information and tools, health advocacy and financial incentives.

Challenging times require smart solutions. And who better than UnitedHealthcare to help your employees and their dependents get more involved in health care decisions that can improve their health and well-being along with your bottom line. We are the health and well-being company known for years as a leader in introducing consumer-focused innovation. And we put all of that knowledge, experience and resources to work when we introduced Definity HSA, a consumer-driven solution that continues to deliver proven results.

*Challenging
times
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The Company You **Choose** Does Make a Difference

Introducing The Definity Health Savings Account (HSA) from UnitedHealthcare

2 The Definity HSA product, including a high deductible health plan (“HDHP”)*, is another leap forward in delivering a total solution for consumer-driven health plans. By placing the dollars for health care expenditures directly in the employees’ control, their spending awareness is elevated and they have a strong incentive to become better consumers. The added benefits of tax-advantaged savings and long-term growth opportunities bring a higher degree of ownership and personal management of these health care dollars.

But the Definity HSA is not simply a financial tool. It combines the information and support that are essential to guiding your employees in making well-informed decisions and helping them choose carefully. When you examine your choices for an HSA, make sure your employees are getting what they need to be successful with this new health care experience. The right combination of support, service, tools, and information is essential to making the plan work for you and for them. And that’s why the Definity HSA is so valuable to you and your employees.

The Definity HSA helps employers achieve immediate savings with flexible benefit designs, coupled with a tax-advantaged health savings account and UnitedHealthcare’s extensive network discounts.

The Definity HSA delivers the security of health benefits with tax advantages and long-term savings opportunities similar to a 401(k), easy access to funds through a personal bank account, and so much more: The Definity HSA provides information and support for your employees across the entire continuum of care. Whether striving to stay healthy, seeking help to get healthy or dealing with a long-term condition, the Definity HSA delivers the comprehensive suite of tools and innovative programs to make that all possible. The Definity HSA puts your employees in control of their health and well-being with access to quality health care, the right balance of decision support tools and financial incentives designed to change consumer behavior.

* “Definity HSA”, as used in this document, refers generally to the Definity HSA product, which includes a high deductible health plan (“HDHP”). At times throughout this document, “Definity HSA” may refer only and specifically to the Definity Health Savings Account, and not to the associated HDHP.

The **Benefits** of Definity HSA

The Definity HSA from UnitedHealthcare can provide customized medical benefits and a Health Savings Account that best fits your organization's needs. All plans include:

- **Cost Effective Health and Wellness Services**

Our high deductible medical plan provides coverage to help your employees stay healthy. Whether they need preventive, health or wellness services, the Definity HSA delivers access to significant cost savings offered by UnitedHealthcare's nationwide network of over 500,000 physicians and other health care professionals and 4,600 hospitals. With some of the industry's best discounts for covered services, employers can realize substantial cost savings and employees increase buying power. Our UnitedHealth Premium® Designation Program aids consumers in choosing physicians and facilities that have shown a commitment to evidence-based best practices.

- **A Health Program With Valuable Discounts**

A unique additional advantage of the Definity HSA offering, we help make account dollars go further by providing discounts for services not covered under the medical benefit plan (Lasik eye surgery, infertility services, to name a few). Employees have easy access to care without paying retail prices traditionally associated with non-covered expenses.

- **Extensive Information and Decision Support**

We provide the information and support employees need to better understand their benefit plans and exercise the right choices when it comes to accessing care and financing their health expenses. This information is offered in varied formats to support individual learning styles during open enrollment and beyond. In addition to 24/7 access to Personal Health Care Advisors, individuals have access to the many tools of **myuhc.com**® – including health, wellness and account information; a treatment cost estimator; a hospital comparison tool, an online nurse chat and other resources designed to

assist them in managing personal health decisions and spending. During open enrollment, our Plan Comparison Calculator can help them decide which benefit option is right for them.

- **Quality Outreach, Advocacy and Wellness Programs**

Nurses are available to answer questions 24 hours a day. Our online health assessment identifies individuals who are at risk for certain medical conditions. When indicated, health coaches assist them in further assessing, protecting or attempting to restore their health. Enhanced disease management, UnitedHealth Wellness, Care CoordinationSM, predictive modeling and other programs, included with the Definity HSA, identify individuals who need help managing particular medical conditions and provide the required support.

Note: Nurses and health coaches available to provide education only. Members are always instructed to contact their personal physician for all treatment and follow-up care.

- **Financial Incentives**

Coverage available for preventive care for children and adults provides assurance to potential enrollees that critical well care is covered. Our high deductible medical benefits and the employee-owned Definity HSA provide incentives for thoughtful use of health care resources. The Definity HSA contributions can deliver tax savings and provide protection against out-of-pocket health expenses. The employee accounts also can grow over time through contributions and interest earned, to become an effective vehicle for funding retiree expenses.



Why Choose Definity HSA?

A strategic, long-term solution to health care cost management

The Definity HSA offers the latest solution in benefit program design, flexibility, and savings for mid-sized businesses. It's offered with a high-deductible health plan, which provides an opportunity to save money and help employers meet their employees' demand for choice and control.

Easy to Buy

We understand your business. We have the in-depth perspective of delivering total solutions for tens of thousands of client companies. Not just isolated programs or products but tailored solutions that meet your unique needs. Our highly customized approach is the product of our experience with over 2 million CDH members. We'll help you face the challenges around rising health care costs, minimizing turnover and attracting quality applicants.

Easy to Install

A smooth implementation of an employer's benefit plan depends on good communication and education with employees. Through Employer eServices®, employers can access the online Communication Resource Center (CRC) to download all different types of employee communication tools, including informative health and wellness articles and guides. With help from this site, employers can educate and motivate their employees to improve health habits and get the most from their UnitedHealthcare benefit plan.

Easy to Administer

For employers, we offer a full suite of online administrative tools on Employer eServices. This private Web site allows benefit administrators to add, change and delete enrollees online in minutes, saving hundreds of hours of benefits administrator staff time when compared to paper enrollment form processes. Plus, Employer eServices offers online enrollment capabilities, reporting on the plan's performance, and electronic billing and payment.

A Closer Look at the Definity HSA Features

- Definity HSA delivers the security of health benefits with similar tax advantages to a 401(k) and the easy access of a bank account.
- Account dollars go further with discounts for some noncovered services.
- Definity HSA is a UnitedHealthcare Choice, Choice Plus or Options PPO medical plan that complies with IRS requirements. Qualified enrollees open a Health Savings Account with Exante Bank, a UnitedHealth Group affiliate, or with a bank of their choice.
- Provide a real solution to rising health costs while giving consumers the information, choice and support to manage their health and well-being.
- With the right support and incentives, consumers become more engaged in managing health care spending, contributing to the improvement of your bottom line.

Tools and Resources for Employers and their Employees

At UnitedHealthcare, we've enhanced our capabilities with online tools and Personal Health Care Advisors to introduce our newest consumer-driven offering, Definity Health Savings Account (HSA).

Employers



The **Communication Resource Center** gives you the tools to communicate with employees about valuable UnitedHealthcare programs and services as well as health and wellness topics. It even contains powerful tools like a custom newsletter builder, health and wellness tool kits and a communication planning tool.

Site Features

- **UnitedHealthcare Programs & Services** – A valuable part of your company's health benefit plan to engage your employees, helping them make better health care decisions.
- **Health & Wellness** - Contains informative articles on health and wellness topics that offer advice on how to take action.
- **Powerful Tools** - Allows you to plan communications and integrate resources into powerful campaigns for your employees.

With help from this site you can educate and motivate your employees to improve health habits and get the most from their UnitedHealthcare benefit plan. The more your employees understand and use the UnitedHealthcare programs and services available to them, the more they will appreciate the full value of the health benefits you offer.

Rolling out Definity HSA is easy. We provide support materials and programs designed to help you communicate to employees. And we provide online tools and resources to help employees understand how their Definity HSA works, how to manage it, and how to make smart health care decisions.

Additional Resources

Health Assessment - Online health assessment identifies individuals who are at risk for certain medical conditions. Health coaches proactively assist them in further assessing, protecting or restoring their health.

Care CoordinationSM - This program is designed to coordinate care, support and educate consumers, assist physicians and promote the application of evidence-based treatments.

Disease Management - Personalized programs for a wide range of diseases and disorders, such as asthma and diabetes.

Employees



Online Tools For Employees - myuhc.com[®]

UnitedHealth Premium[®] program - evaluates and identifies leading network physicians and hospitals using quality and efficiency criteria based on evidence-based medicine. We share this information with enrollees on **myuhc.com** so they can make informed decisions about where to seek care.

Plan Comparison Calculator - A pre-enrollment Plan Comparison Calculator helps individuals decide if Definity HSA is right for them.

Treatment Cost Estimator - Compares network and out-of-network costs for a particular procedure to help make more informed health care decisions and maximize their health care dollars.

Frequently Asked Questions about HSAs

What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is a tax-advantaged account participants can use to pay for qualified health expenses they incur while covered under a high deductible medical plan. While HSA dollars may also be used to pay for non-qualified health expenses, such use will be subject to taxation plus a penalty. HSA dollars, contributed by the employer, employee or others accumulate over time with interest or investment earnings, are tax-advantaged, are portable after employment.

How do Health Savings Accounts differ from other tax-advantaged accounts?

HSAs have certain features that are more favorable for participants than Health Reimbursement Arrangements (HRAs) or Flexible Spending Accounts (FSAs). The participant is immediately vested in the account, meaning the money belongs to the participant. The participant can't lose it if it isn't spent during a plan year, as is the case with an FSA. The unused balance accumulates over time and earns interest so the participant can save for future expenses. Although HRA funds can accumulate from one year to the next, they cannot transfer to another employer if the employee changes jobs, as is the case with an HSA. Generally, HSA funds can be easily accessed at any time with the HSA debit card. The card can generally be used to withdraw funds from any ATM in the CIRRUS network or used to pay for products and services where MasterCard® is accepted. The HSA balance can accumulate quickly, within IRS guidelines, because HSAs have different funding options than other tax-advantaged accounts. The participant, the employer or a qualified family member can contribute to the account.

How are funds in the employee's HSA typically utilized throughout the plan year?

At the beginning of each plan year, the employee will need to satisfy an annual deductible. Initially, the employee's HSA can be used to pay this

deductible. Once the deductible has been met, the insurance portion of the medical plan takes over. HSA funds can then be used to pay for coinsurance or other qualified expenses not covered by the medical plan. At the end of the calendar year, unused funds remain in the employee's account for use in the next plan year.

Can a Health Reimbursement Arrangement or Flexible Spending Account also be offered along with a Health Savings Account?

There are limited opportunities to offer HSAs in conjunction with these other tax-advantaged accounts. Perhaps the most likely will be an FSA that is limited to certain types of permitted expenses such as dental, and vision. Additionally, the IRS guidance allows use of HRAs for retirement or other future purposes (though access to the account must be suspended during HSA participation).

Who is eligible to participate in a Health Savings Account?

An eligible individual:

- Is an individual covered by a high-deductible health plan
- Is not covered by any other medical plan that is not a high-deductible (e.g., on an enrolled spouse's plan, except for vision or dental coverage), including FSAs
- Is not enrolled in benefits under Medicare
- May not be claimed as a dependent on another person's tax return

What should employers consider when offering a Health Savings Account?

Employers should carefully weigh all consumer plan options and choose one (or more) to best fit their needs. HSAs give individuals the opportunity to plan for future health expenses. They provide options to support retiree benefit strategies and/or the needs of employers interested in portability of coverage. The tax advantages of the accounts are valuable to both employer and employee.

Employers should carefully consider the following about HSAs:

- The individual immediately owns the money contributed to the account; there is no vesting
- The HSA funds are portable upon termination of employment
- Employers do not control how the money is used
- Qualified health expenses include all services listed under IRS Section 213(d) (except for premiums paid for health coverage), the same section governing FSA coverage
- Employees can choose to use their funds for non-qualified health expenses; however, the funds are subject to tax plus a penalty, except following disability, Medicare eligibility or death.

What are the requirements for the high-deductible medical plan?

According to current statutory guidelines, for single coverage, the plan must have an annual deductible of at least \$1,100, and an annual out-of-pocket maximum of no more than \$5,500. For family coverage, the annual deductible must be at least \$2,200 and the annual out-of-pocket maximum can be no more than \$11,000. The IRS could adjust these amounts for inflation in future years.

Are preventive care services covered under a high deductible health plan?

Most plan designs offer preventive care services which are covered pre-deductible under the high deductible health plan because there is a special exception in the law that allows a high deductible health plan to provide coverage for preventive care services whether or not the deductible has been satisfied.

What is considered preventive care?

Well-woman exams, well-child exams, well-man exams, immunizations for children and any diagnostic tests such as cancer screening tests performed in relation to those exams that are completed in the office or an outpatient setting.

Can the medical plan be network-based?

Yes, as long as the plan has a deductible tied to network-based services. For example, a plan with both in-network and out-of-network coverage would qualify, as long as there is a deductible tied to in-network services, and that deductible meets the \$1,100 threshold for single, or \$2,200 for family coverage. A separate out-of-network deductible can be applied to out-of-network services and could be greater, but not less, than the limits noted here.

Who can contribute to a Health Savings Account?

Eligible individuals or employers can contribute to a Health Savings Account. Others may also contribute, as long as they meet IRS guidelines; however, that account must be established by an individual and funded according to IRS rules.

When an employer contributes to the Health Savings Account, the funded amount is excluded from the employee's gross income. As a result, contributions are not subject to withholding from wages for income tax, FICA tax, Federal Unemployment Tax or the Railroad Retirement Tax. Additionally, contributions may not be subject to some State and Local taxes. Contributions to an employee's Health Savings Account through a cafeteria plan are treated as employer contributions. The employee cannot deduct employer contributions as medical expense deductions under IRS Code Section 213.

What are the tax rules of a Health Savings Account?

A Health Savings Account is generally deferred from tax, and its use is exempt from tax if used for qualified expenses. Earnings on amounts in a Health Savings Account may not be taxable, depending upon whether such earnings are used for qualified medical expenses.

Frequently Asked Questions about HSAs

When can contributions be made to the Health Savings Account?

Contributions can be made on the first day of the month that a participant is enrolled in a high-deductible medical plan and/or anytime up until the individual files taxes for that year.

How much can be contributed to the Health Savings Account in 2007?

Employers, employees and/or qualified family members can contribute tax-deductible funds each year up to \$2,850 for individuals and \$5,650 for families. If the full amount has not been funded in the calendar year, additional contributions can be deposited through the April 15th tax deadline. The IRS could increase the contribution limits in future years to adjust for inflation.

Is there an exception to these contribution maximums?

Yes, individuals between the ages of 55 up to Medicare entitlement age can contribute an additional monthly "catch-up contribution." This catch-up contribution limit is \$800 for 2007. It will increase by \$100 each year until it reaches a cap of \$1,000 in 2009.

Do Health Savings Accounts earn interest?

Yes, in addition to the savings associated with pre-tax contributions, the funds are deposited in interest-bearing or investment-earning accounts. Plan participants are 100 percent vested in both the employee and employer contributions in their accounts.

How do participants access funds from a Health Savings Account?

A participant can use checks, a Health Savings Account MasterCard® Debit Card, or automated debits (ACH transfers) to withdraw funds from the HSA.

What happens if the contribution amount exceeds the maximum amount allowed in a given tax year?

The amounts that exceed the maximum contribution ("excess contribution") are not eligible for deduction from the employee's gross income. Also, an excise tax of 6% on the excess amount is imposed on the account beneficiary for each taxable year. Certain exceptions apply to the excise tax, e.g., if funds are pulled out before the tax filing deadline for that year.

A participant may recover an excess contribution made to their Health Savings Account to avoid the 6% excise tax. This is done by taking a distribution from the Health Savings Account in an amount equal to the excess contribution, and associated interest, before the day that the income tax return for that year is due. (Note that an excess distribution that is withdrawn before the deadline is neither includable in income nor subject to the 10% addition to tax. It is also not subject to the 6% excise tax. Interest income that is distributed must be included in income for the year that the distribution is taken, however.)

Are rollover contributions to Health Savings Accounts permitted?

Yes, rollover amounts from Savings Accounts (MSAs) and other Health Savings Accounts are permitted.

How are distributions from a Health Savings Account taxed?

Distributions from the Health Savings Account are not taxed if they are used exclusively to pay for qualified health expenses for the account beneficiary, covered spouse or covered dependents.

Any amount not used for qualified health expenses for individuals noted above is subject to income tax and a 10% additional tax. This 10% additional tax does not occur if the distributions are made after the account beneficiary's death, disability or Medicare eligibility date.

Does the employer or the health plan need to verify that distributions from the Health Savings Account are for qualified services?

No. The participant needs to make that determination and should maintain records of their medical expenses to verify the expenses are for qualified services and therefore excludable from their gross income. This self-substantiation guideline is used for MSAs and will apply to HSAs. The IRS may request receipts during a tax audit. Employers and plan administrator are not responsible or liable for misuse (i.e., use for non-qualified medical expenses) of HSA dollars by plan participants.

What forms does the employer need to file for their contributions to the Health Savings Account?

Employer contributions to a Health Savings Account must be reported on the employee's W-2 form. In addition, participants will be required to complete a new form 8889. Finally, trustees will be required to report contributions and distributions from the HSA.

Are the funds in a Health Savings Account portable?

Yes. The participant can take all of the funds in their Health Savings Account with them when he/she leaves his/her employer. They are not forfeited after termination of employment.

Does the use-it-or-lose-it rule apply to a Health Savings Account?

No. Any unused amounts in the Health Savings Account will be carried over to the next plan year and can be used at any time.

Can the participant use his/her HSA for services that were obtained prior to his/her enrollment in the HSA?

No. The expenses must be incurred only after the participant is enrolled in the HSA to be eligible for tax-free reimbursement (assuming that they are

qualified medical expenses and the HSA account is established).

Does the participant have to put the funds in another Health Savings Account when he/she takes an HSA distribution?

Participants must transfer funds to another eligible account within 60 days to avoid paying taxes on the amount distributed.

What is Exante Bank and what role does it play in Health Savings Accounts?

Exante Bank is a Utah state-chartered financial institution created and owned by UnitedHealth Group. As a result, all accounts maintained there are FDIC-insured, providing peace of mind for consumers. If an employee chooses to open their HSA with Exante Bank, the bank will be the holder of employees' HSA funds and will service the accounts. Employees may choose a bank other than Exante.

Can HSA funds be used for health care premiums?

An HSA can generally not be used to pay for health coverage premiums if the HSA participant is under age 65. However, an HSA may be used to pay for certain health coverage premiums (COBRA, long-term care and coverage while receiving unemployment compensation). In addition, when the individual becomes Medicare eligible, an HSA may be used to pay for health coverage premiums (except for Medigap premiums).

Can a HSA be funded by an IRA?

Yes. Recent changes in HSA legislation allow a one time distribution of funds from an IRA to a HSA. Certain Restrictions apply. Employees should contact their IRA Trustee for additional details.

Can a HSA be funded by a HRA or FSA?

Yes. Employers may offer the option for their employees to do a one-time transfer of funds from a HRA or FSA to a HSA. Employees should contact their employers for more information.

It just makes sense.®

Note: Services supplied by Exante Bank, Inc. are not available in Hawaii, Alaska or the U.S. Virgin Islands.

Insurance coverage provided by or through: United HealthCare Insurance Company, United HealthCare Insurance Company of New York, or their affiliates.

Administrative services to self-funded plans provided by United HealthCare Services, Inc., United HealthCare Insurance Company or United HealthCare Service LLC.



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