



HSA benefits for employees (continued)

Tax-free interest*—The HSA is invested and accumulates interest on a tax-preferred basis. Your employees may retain funds in the savings account until retirement, and then use the HSA to pay for qualified healthcare expenses on a tax-free basis. In addition, employees may withdraw funds from their HSA for any purpose, subject to IRS rules.

*The Destiny Health Empowerment Plan meets the definition of a HDHP, as defined in Section 223 of the Internal Revenue Code. However, Destiny Health does not offer legal or tax advice. Employers and employees should consult with their advisors or visit www.irs.gov for full guidance on HSA requirements.

Convenience—The Destiny Health Empowerment Plan's administration is integrated with the HSA, which is unique in the industry today. At Destiny Health, the insurance claims system is linked directly with the savings account so your employees can go to one source for all the information, tools and resources to manage their HSA and insurance plan.

It means one-stop access to account balances and health information and seamless integration of claims handling so that the employee doesn't have the hassle of extensive record-keeping or risk overpaying.

HEALTH SAVINGS ACCOUNT

Together with Vitality, our health plan options combine to create The Destiny Health Empowerment Plan™—an integrated offering that gives members the power to take charge of their health and reduce their healthcare costs.



As part of our suite of health plan offerings, Destiny Health provides a Health Savings Account or HSA—a tax-exempt account created for the purpose of paying qualified current and future medical expenses.* HSAs can be set up by individuals or by employers for each employee. The HSA itself must be used in conjunction with a qualified High-Deductible Health Plan or HDHP.

*Tax exemption only applies if the HSA is used for qualified Internal Revenue Service (IRS) Section 213(d) medical expenses.

SO WHAT IS A QUALIFIED HIGH-DEDUCTIBLE HEALTH PLAN (HDHP)?

In 2007, a qualified HDHP must have an in-network deductible of no less than \$1,100 for individuals, and for families, the deductible can be no less than \$2,200.

In addition, if you have individual coverage, the in-network out-of-pocket expenses required to be paid (deductibles, coinsurance and copays) cannot exceed \$5,500, and for family coverage, this amount cannot exceed \$11,000. These minimum deductible amounts and maximum out-of-pocket limits are adjusted annually for cost-of-living increases.

The Destiny Health Empowerment Plan can be structured with a wide range of flexibility that qualifies as a HDHP. When coupled with a HSA, the annual deductible is structured on an aggregate basis. The deductible can be met entirely by one member or by combining eligible expenses of two or more members.

How is the HSA funded? How much can be placed in the HSA account?

The HSA can be funded by you and/or your employees. Up to 100 percent of the annual limits for the individual or family can be contributed to a HSA. For 2007, this amount cannot exceed \$2,850 for individual coverage and \$5,650 for family coverage.

People ages 55 and older can make additional contributions of \$800 to "catch up" in 2007. This will increase by increments of \$100, up to \$1,000 in 2009 and thereafter.



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What are the HSA funds used for?

The funds in the HSA can be used to pay the deductible, coinsurance and any qualified medical expenses not covered by your health plan. A qualified medical expense is an expense for medical care as defined by IRS Code Section 213(d).

Examples of qualified expenses include:

- ⌘ Prescription drugs
- ⌘ Physician office visits
- ⌘ Durable medical equipment
- ⌘ Most medical treatment and therapy



OPTIONAL RIDERS

Employers concerned about out-of-pocket costs for preventive care or for employees with conditions that require daily medication, such as diabetes and asthma, can choose optional riders.

With the preventive care rider, for example, members receive first-dollar coverage for select preventive care services, including childhood immunizations, pap smears and colorectal screenings.

What are the main benefits of offering a HSA for employers?

Reduced Premiums—Most employers will see a reduction in the monthly premiums they pay for their employees due to the increase in deductibles.

Provide incentives to employees to get involved with healthcare decisions—By reallocating insurance premium dollars to employee savings accounts, individuals have incentives to get involved with the process and get the biggest "bang for their buck".

Deliver more benefit dollars to employees—Instead of paying 100% of insurance dollars to a carrier, you can deliver some of those dollars directly to employees by funding the HSA.

Tax Benefits*—As long as you are making HSA contributions on behalf of eligible individuals, these amounts are generally not subject to federal employment taxes. Additionally, The Destiny Health Empowerment Plan may be set-up as a Section 125 Cafeteria Plan; thus allowing your employees to make insured premium and HSA contributions on a pre-tax basis.

*Tax exemption only applies if the HSA is used for qualified Internal Revenue Service (IRS) Section 213(d) medical expenses. IRS Notice 2005-8 for HSAs provides detail regarding the exemption from federal employment taxes for certain individuals.

What are the benefits to employees?

Ownership/Equity—No "use it or lose it" rules like Flexible Spending Accounts (FSAs). Employees are able to fund their HSAs beyond the annual deductible, up to the annual limits as defined by the IRS for the year, allowing them to use the HSA as a long-term savings vehicle for their healthcare. Because the HSA belongs to the employee, it encourages them to spend their funds more wisely on their medical care and shop around for the best value for their healthcare dollars.

Tax benefits—The contribution to the HSA while the employee is an "eligible individual" is tax-free. The employee can take a deduction for any amount he/she contributes to the HSA up to IRS limits. This deduction is an "above-the-line" deduction, and therefore directly reduces an employee's taxable income. However, if the employees are covered under a Section 125 Cafeteria Plan, they may be eligible to make HSA contributions on a pre-tax basis, which provides them and you, the employer, with substantial federal employment tax savings throughout the year.

Portability—The HSA belongs to your employees and is completely portable. An employee can take the balance of the HSA with him/her when changing employers.