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MEDICARE BILL CREATES NEW HEALTH SAVINGS ACCOUNTS

*Account Brings New Dimension To Consumer-Driven Healthcare
 Through Portability And Greater Ownership For Consumers*

MINNEAPOLIS – November 25, 2003 –The Medicare Reform Act, just passed by Congress and now waiting to be signed into law, includes a provision to create a new account termed a ‘Health Savings Account’. This account will support new flexibility in the design of consumer-driven health plans, while providing consumers greater control over their health benefit dollars.

The Health Savings Account (HSA) allows employees to realize even greater ownership of health benefit funds. This new account arrangement allows:

- Both employers and employees to contribute on a tax preferred basis. HRAs provide for preferential tax treatment of employer funds only; and
- Funds portability for the employee. Provided the individual is covered by a high deductible health plan, the employee may continue to access HSA funds at another employer or through individual coverage. In addition, accumulated dollars may be cashed out at any time, but will be included in gross income and subject to an additional 10% tax upon the withdrawal. The portability of an HRA is today determined by the employer.

Health Savings Accounts (HSA) Snapshot

Who’s Eligible	An individual covered under a qualified high deductible plan. Individuals covered by Medicare or who can be claimed as a dependent on someone else’s taxes are not eligible.
What Qualifies As A High Deductible Plan	\$1,000 annual deductible or greater for an individual. Out-of-pocket annual maximum cannot exceed \$5,000. \$2,000 annual deductible or greater for families. Out-of-pocket annual maximum cannot exceed \$10,000.
Tax Treatment	Tax exempt for employer contributions. Tax deductible for individual contributions.
Rollover	Amounts can be rolled over from year to year with no maximum.
Cash out	Money can be cashed out at any time but will be included in gross income and subject to an additional 10% penalty.
Eligible Medical Expenses	All services and products covered by IRC 213(d).

Page 2/Medicare Bill Creates

“The Health Savings Account further expands an employee’s ability to take on greater ownership of their health benefits,” commented Tony Miller, Definity Health’s chief executive officer. “HSAs and HRAs allow employees to see the value of their health benefits and provides incentive to manage these financial resources effectively given their individual needs.”

“Definity Health’s program puts consumers at the center of making well-informed, value-based decisions using key cost and quality metrics,” adds Michael Showalter, Definity Health’s vice president of product development. “Going forward, this legislation creates tremendous opportunity for product enhancements in health benefits, linking shared financial responsibility between employers and employees.”

Definity Health’s consumer-driven healthcare program differs dramatically from traditional managed care plans. It replaces the restrictions and bureaucracy with greater choice for consumers in the doctors and type of care they use, financial products that give employees ownership of their health benefits, and extensive information and support in making healthcare decisions. More than 80 organizations, including 33 Fortune 1000 or Global 500 companies currently offer the Definity Health benefit program to their employees.

Minneapolis-based Definity Health (www.definityhealth.com) leads the nation in providing consumer-driven healthcare benefit programs. In 2000, Definity Health became the first company to make consumer-driven healthcare available to self-insured employers across the country. The company was awarded the National Business Group on Health 2002 *Mercury Award* for eHealth excellence and the 2001 *Creative Excellence in Benefits Award* by the International Foundation of Employee Benefit Plans. The Health Insurance Association of America also recognized Definity Health and CEO Tony Miller with its 2001 *Innovators Award*.

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