THE ORIGINS OF HEALTH SAVINGS ACCOUNTS

Health Savings Accounts (HSA) were created by the Medical Prescription Drug, Improvement & Modernization Act of 2003. This new tax-advantaged account gives your employees a new way to pay for healthcare expenses and plan for retirement, while giving you a lower premium without sacrificing the quality you have come to expect from Oxford.

ELIGIBILITY

• Health Savings Accounts are available to almost everyone if they are covered by a qualified high deductible health insurance plan. An individual enrolled in an HSA-eligible plan cannot have other healthcare coverage that covers the same services as the HSA. Vision, dental, accident, disability, auto and certain other insurance policies are permitted.

• Individuals enrolled in Medicare are not eligible to contribute to HSAs. However, they can still spend money they have previously accumulated in their HSA.

• Individuals who can be claimed as a dependent on another person’s tax return are not eligible.

QUALIFIED HIGH-DEDUCTIBLE HEALTH PLANS

• The annual deductible on a qualified plan must be at least $1,000 for individual coverage or $2,000 for family coverage. These and other amounts here are the 2005 indexed amounts released by the Treasury Department.

• The maximum out-of-pocket exposure cannot be greater than $5,100 for individual coverage and $10,200 for family coverage.

• Services obtained out-of-network are not subject to these limits.

• In-network preventive services may be covered prior to your deductible. Oxford HSA plans provide 100% in-network coverage for preventive care.

CONTRIBUTIONS

• Annual contributions cannot exceed the amount of the in-network policy deductible, and are capped at $2,650 for an individual or $5,250 for a family.

• Both employers and employees can make contributions to the account.

• There is no minimum contribution required.

• Contributions by an employer are not taxable income to the employee.

• Contributions by an employee may be made on a pre-tax basis, through a cafeteria plan.

• Contributions are generally made through payroll deductions on a regular schedule. However, individuals may contribute additional funds at any time during the year up to the mandated limits.

• Individual owners of the account, not employers, are responsible for ensuring that contributions do not exceed the annual maximum.

• The deadline for contributions is April 15 of the year following the year for which the contribution is made.

HOW THE ACCOUNT WORKS

• The HSA is a cash account owned by the individual account holder, not the employer. Employers may not place limits on these accounts beyond those specified by the federal government.

• Cash balances remaining in an HSA at the end of the year roll over to the next year, just as in other checking accounts.

• The account is fully portable if an employee changes jobs. It remains the property of the account owner until it is exhausted. Each account owner names a beneficiary, who becomes the new owner of the account if the account owner dies.

• Funds may be accessed through a debit card or a check, which will be issued by the bank holding the HSA.

• Interest may be earned on HSA balances, tax-free.
Using Your New Health Savings Account

- Account holders may use the HSA to pay for qualified medical expenses, but are not required to use it. The money belongs to them, and they may elect to spend it or save it in the tax-advantaged account as they see fit.
- All expenses under Section 213d of the IRS code are eligible for reimbursement by your HSA on a tax-free basis.
- Doctors visits, hospital expenses, lab, x-ray, and other diagnostic services
- Prescription drugs, dental care, vision care, hearing aids
- Visit the HSA section on www.oxfordhealth.com for a full list of all eligible expenses.
- The HSA may be used for a number of expenses in addition to those outlined in Section 213d, including COBRA and short-term premium.
- The account holder is responsible for ensuring that expenses paid from the account are qualified medical expenses.
- The HSA may be used for eligible expenses incurred by any spouse or dependent.
- HSA funds used for purposes other than the above are considered taxable income, and an additional excise penalty of 10% applies.
- It is the responsibility of the account owner, not the employer, to substantiate the proper use of these funds. The IRS may question disbursements from an HSA, so the account holder must keep adequate records concerning the use of the HSA funds.

Rules for Health Savings Accounts (HSAs) are very different than the rules for other spending accounts associated with employee benefits, such as Health Reimbursement Arrangements (HRAs) and Flexible Spending Accounts (FSAs.) Oxford markets both of these alternatives under the Oxford MyPlan™ and OxfordFlex™ brands.

<table>
<thead>
<tr>
<th>FLEXIBLE SPENDING ACCOUNT (FSA)</th>
<th>HEALTH REIMBURSEMENT ARRANGEMENT (HRA)</th>
<th>HEALTH SAVINGS ACCOUNT (HSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who contributes?</td>
<td>Individual only</td>
<td>Employer only</td>
</tr>
<tr>
<td>Rollover</td>
<td>No</td>
<td>Employer's choice</td>
</tr>
<tr>
<td>Portable when employee leaves?</td>
<td>No</td>
<td>Employer's choice</td>
</tr>
<tr>
<td>What can funds be used for?</td>
<td>Section 213d</td>
<td>Employee's discretion</td>
</tr>
<tr>
<td>(unless limited by employer)</td>
<td>Confined by Section 213d</td>
<td></td>
</tr>
<tr>
<td>How will employees access funds?</td>
<td>Manual claims submission or with OxfordFlex™ debit card</td>
<td>Employee submits claim to employer's administrator</td>
</tr>
<tr>
<td>Who substantiates eligible claims?</td>
<td>Administrator</td>
<td>Administrator</td>
</tr>
<tr>
<td>Is there cash in this account?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Can be combined with</td>
<td>HRA</td>
<td>FSA</td>
</tr>
</tbody>
</table>

*HRAs or FSAs can be designed to cover only expenses not covered by the medical plan (i.e., dental and vision care only). In these cases, an employee may also enroll in both an FSA and HSA. In addition an FSA may be set-up to pay for expenses above the in-network deductible, i.e. coinsurance. At any time, an employee may enroll in an Oxford HSA and the OxfordFlex™ Dependant Care, OxfordFlex™ Transit or OxfordFlex™ Banking account.