

Health Reimbursement Arrangement Funding Options

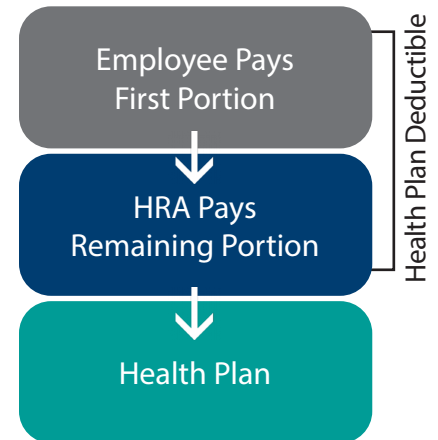
Optima Design links a higher-deductible health plan with a Health Reimbursement Arrangement (HRA) funding account. Employers offering Optima Design can choose from three reimbursement options.

Option 1: Employee-First Design

With the Employee-First Design, the employee must pay a set portion of the deductible before the HRA account begins reimbursing for eligible expenses. This plan fosters employee awareness of healthcare costs and encourages value-conscious healthcare consumption. The initial employee responsibility for the first dollars spent will be familiar to anyone who has had a healthcare plan with a deductible.

Potential fit for:

A company currently offering a plan with moderate to high deductibles. Employees are already accustomed to satisfying deductibles and may better accept a higher-deductible plan with employer assistance for additional costs.

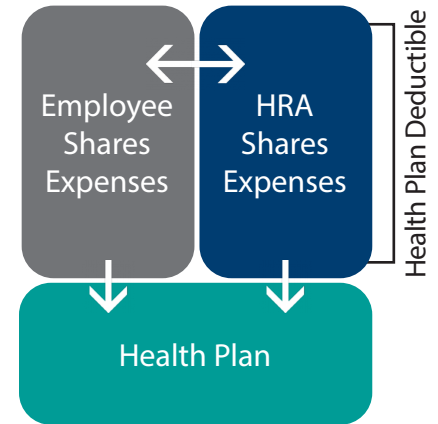


Option 2: Shared Design

With the Shared Design, the employer and the employee split the cost for eligible expenses for each medical claim that applies to the deductible. As the employer, you decide what the percentage of the split will be. As with the Employee-First Design, this approach encourages employee awareness of the actual cost of healthcare services and promotes value-conscious healthcare consumption. Unlike the Employee-First Design, however, the Shared Design begins covering a portion of the eligible costs right away, thus making the plan more attractive to the employee.

Potential fit for:

A company currently offering a low- or no-deductible plan with employees paying coinsurance and some copayments. When a higher-deductible plan is introduced and most copayments removed, employees like the “we’re in this together” outlook when costs are shared by the employer as they are incurred.

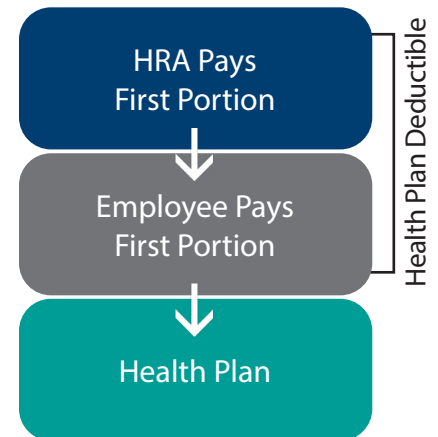


Option 3: Employer-First Design

With the Employer-First Design, eligible expenses are paid by the employer-funded HRA account first. Only after the annual limit is exceeded will the member employee be responsible for covering the remaining portion of the deductible. This approach makes your health benefit more appealing to employees while still encouraging them to plan and spend their healthcare dollars carefully in order to minimize the amount that they will have to pay if and when the HRA fund is depleted.

Potential fit for:

A company currently offering a mostly copayment plan with low or no deductibles. When a higher-deductible plan is introduced and the employer pays first, the employees may be incented to spend more wisely to delay or minimize spending their own dollars for healthcare costs.



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What is a Health Reimbursement Arrangement?

Employers set up and fund health reimbursement arrangements (HRAs) to help employees pay for eligible medical expenses, meet their deductible, and make them more value-conscious in their healthcare consumption.

HRAs are typically combined with higher-deductible health plans that offer lower premiums. The fact that an HRA does not need to be pre-funded—expenses are paid as they are incurred—is a significant advantage in that it optimizes cash flow for many companies.

What are the advantages of HRAs for employers?

- Linkage with a higher-deductible health plan offers savings on premiums
- HRAs do not need to be pre-funded, which helps with cash flow
- Expenses paid through HRAs are 100% tax deductible
- Flexibility—employers decide:
 - » the annual amount available to employees
 - » whether the employee or the employer (through the HRA) pays healthcare expenses first
- Employees cannot take HRA funds with them to a new place of employment

Optima Health is the trade name of Optima Health Plan, Optima Health Insurance Company, and Sentara Health Plans, Inc. Optima Design PPO plans are underwritten by Optima Health Insurance Company. Optima Health Plan underwrites Optima Design HMO, POS, and mandated point of service plans. Self-funded group health plans are administered but not underwritten by Sentara Health Plans, Inc. All Optima Health plans have benefits exclusions, limitations, and terms under which the plan may be continued in force or discontinued. For costs and complete details of coverage, please call your broker or Optima Health or sign in at optimahealth.com. Optima Health recommends that employers and employees consult with a tax advisor when setting up or using an HRA account.