



**STERLING HSA™**

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## NEWS RELEASE

### STERLING HSA ANNOUNCES EXECUTIVE APPOINTMENTS AS HEALTH SAVINGS ACCOUNT SERVICES GROW

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**LAFAYETTE, CA** — July 6, 2004 — Co-founders Cora M. Tellez and Kevin Woodard, veterans of the health benefits industry, today announced executive appointments in the continued growth of Sterling HSA. Based in Lafayette, CA, the company is a leader in new category of tax-advantaged health care benefits called health savings accounts, or HSAs. Sterling HSA provides services to health savings account holders to establish and manage their accounts, including education, payment of medical bills, and reporting.

HSAs work much like “medical” IRAs. They are tax-free accounts that individuals with high-deductible insurance policies can fund and use to pay for medical expenses. Because they are tax-advantaged and balances can accumulate over time, HSAs can also be used to accumulate savings. In addition, HSAs are owned by the individual account holder and therefore portable.

The company is led by Tellez, CEO, a 25 year veteran in health care finance and delivery. Prior to founding Sterling HSA, Tellez was President of the health plans division of Health Net, Inc., an insurance provider that operated in seven states and achieved revenue of \$8 billion from health plans. She has also served as President of Prudential’s western health care operations, CEO of Blue Shield of California, Bay Region and Regional Manager for Kaiser Permanente of Hawaii.

Co-founder Woodard serves as COO and CFO. He too has extensive health care industry experience with more than 20 years in finance, strategy and operations at Health Net, Inc. Prudential and Kaiser Permanente.

In addition to Tellez and Woodard, the company recently added several executives to its management team. Chris Bettner is Executive Vice President, Business Development and has over 16 years of experience in health care sales and management

Prior to joining the company, Bettner was Vice President of Sales for Blue Shield of California and has served in executive level positions with other notable health insurance companies, including LifeGuard, Independence Blue Cross and MetLife.

Yanping Dong is Sterling HSA Chief Sales Officer. Dong was previously Director of Sales for Health Net with responsibility for sales, marketing, and operations serving Asian members in California. Dong has also worked for Blue Shield of California.

Jesse Thomas is a new Account Manager for Sterling HSA and was most recently with a Bay Area non-profit focused on improvements in women's health.

HSAs were established as part of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Eligible individuals can establish HSAs for taxable years beginning after December 31, 2003.

For more information on health savings accounts and Sterling HSA, go to [www.sterlinghsa.com](http://www.sterlinghsa.com).



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## FACT SHEET STERLING HSA & HEALTH SAVINGS ACCOUNTS

### WHO IS STERLING HSA?

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Sterling HSA was founded in 2003 by experts in the health benefits industry for one primary purpose – to put employers and consumers in control of health care spending by offering a tax-advantaged alternative to better finance and plan for health care.

As an independent HSA administrator, Sterling HSA serves the needs of insurance carriers, employers and consumers. The company offers a comprehensive range of services, such as payment of medical bills, education, collection, customer service and reporting to establish and manage HSAs. Sterling HSA delivers a simple, reliable and personal approach to paying for health care while saving for the future.

### WHAT IS AN HSA?

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HSAs work much like “medical” IRAs. They are tax-free accounts that individuals with high-deductible insurance policies can fund and use to pay for medical expenses.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 added section 223 to the Internal Revenue Code to permit eligible individuals to establish HSAs for taxable years beginning after December 31, 2003. An HSA allows individuals to pay for qualified health expenses and save for future qualified medical and retiree health expenses on a tax-free basis. An HSA is similar to an IRA. Like an IRA, an HSA is established for the benefit of an individual, is owned by that individual, and is “portable.” Thus, if the individual is an employee who changes employers or leaves employment, the HSA stays with the individual. However, an IRA cannot be used as an HSA nor can you combine an IRA and an HSA in a single account.

### ARE HSA GAINING IN POPULARITY?

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Since inception in January 2004, HSAs are quickly gaining in popularity among individuals and employers. Key facts from several recent studies indicate strong interest:

- Of employers surveyed, 73% said they were very or somewhat likely to offer HSAs by 2006. ~ Mercer Human Resource Consulting
- Among these employers, 21% said employees are inquiring about HSAs. Among larger employers, 42% of employees expressed interest. ~ Mercer Human Resource Consulting
- Among small business owners, 73% found the concept of HSAs appealing. ~ National Small Business Association
- HSAs appeal to all income groups. A study by e-Health Insurance shows nearly 50% of HSA purchasers make less than \$50,000. ~ e-Health Insurance

### WHO IS ELIGIBLE FOR AN HSA?

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To be eligible for an HSA, the subscriber must be covered only by an HSA compatible, high deductible health plan, be less than 65 years of age, and must not be a dependent on another person’s tax return.

## WHAT IS A “HIGH DEDUCTIBLE HEALTH PLAN”?

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A high deductible health plan is a health insurance plan that has an annual deductible of at least: (1) \$1,000 for individual (self-only) coverage or (2) \$2,000, for family coverage (coverage of more than one individual). The annual out-of-pocket expenses required to be paid under the health plan cannot exceed \$5,000 for individual coverage or \$10,000 for family coverage. Out-of-pocket expenses include deductibles, co-payments, and other amounts the participant must pay for covered benefits, but do not include premiums. High deductible health plans can have first dollar coverage (no deductible) for preventive care and higher out-of-pocket expenses (co pays & coinsurance) for non-network services.

## WHO CAN OFFER A HIGH-DEDUCTIBLE HEALTH PLAN?

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A high-deductible health plan may be offered by a variety of entities, including insurance companies and health maintenance organizations (HMOs).

## HOW DO YOU ESTABLISH AN HSA?

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An eligible individual can establish an HSA with a qualified HSA trustee or custodian, in much the same way that individuals establish IRAs with qualified IRA trustees or custodians.

## WHO MAY CONTRIBUTE TO AN HSA?

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Contributions to HSAs can be made by an eligible individual, the individual’s employer, or both. Contributions made by the individual are deductible from the individual’s adjusted gross income. Contributions made by the individual’s employer are excluded from the individual’s income and are not taxable to the individual. Certain other persons can also make contributions to an HSA on behalf of an eligible individual.

## HOW MUCH CAN YOU CONTRIBUTE TO AN HSA?

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The maximum contribution for any year is the lesser of the amount of the high-deductible health plan’s annual deductible or \$2,600 for an individual or \$5,150 for a family. (These dollar limits will be adjusted for inflation each year.) These annual contribution limits apply regardless of whether the contributions are made by an individual, the individual’s employer, or both. For every month a person has an HSA eligible health plan, they may contribute 1/12 (one twelfth) of the maximum annual HSA contribution.

## WHAT IS THE TAX TREATMENT OF AN ELIGIBLE INDIVIDUAL’S HSA CONTRIBUTIONS?

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Contributions to an HSA, up to the applicable maximum contribution, are deductible from adjusted gross income, whether or not deductions are itemized.

## WHAT IS THE TAX TREATMENT OF EMPLOYER CONTRIBUTIONS TO AN HSA?

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Employer contributions to an employee’s HSA are excludable from the employee’s gross income, up to the maximum contribution limit for that employee. Although the employee cannot deduct the employer’s HSA contributions, the contributions are not taxable to the employee nor are they subject to withholding from wages for income tax or other employment taxes.

## WHEN CAN YOU RECEIVE DISTRIBUTIONS FROM YOUR HSA?

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Distributions from an HSA can be made at any time.