



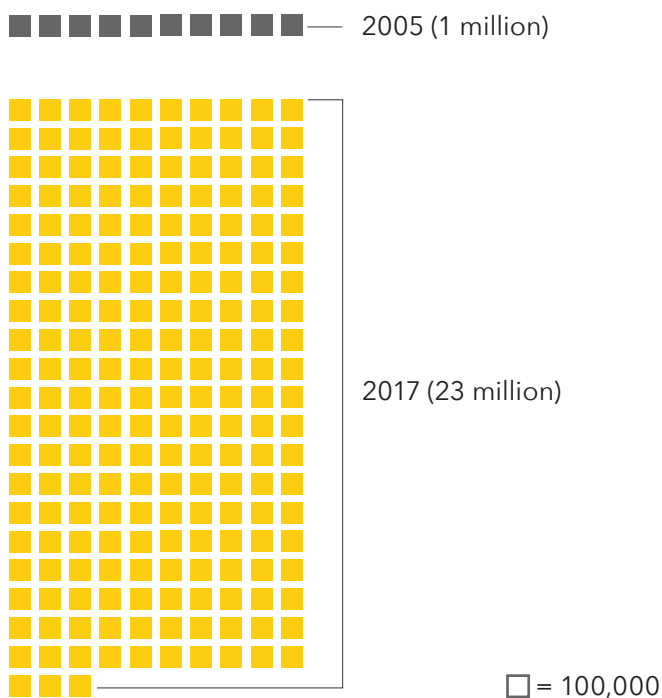
# Employee Participation:

**Key to making health savings accounts beneficial to all**

Employees continue to struggle with rising health care costs. The challenge for employers? Finding a way to help employees reduce and manage these expenses. **One of the ways employers sweeten their benefits packages is by offering health spending and savings accounts.**

And we're seeing that trend play out in the data. Enrollment in high deductible health plans (HDHPs) has grown from just 1 million in 2005 to more than 23 million in 2017, according to statistics from America's Health Insurance Plans.<sup>1</sup> Under these plans, consumers enjoy lower monthly premiums in exchange for higher deductibles (the amount paid out of pocket before insurance kicks in). While a higher deductible may seem counter to saving money, employers can pair the HDHP offering with a health savings account (HSA), which is designed to give employees more options to manage their health care finances.

### HDHP growth



### Health savings account

**An HSA lets you pay for current health care expenses or save for future expenses, which may be years away.**

HSAs are only available to consumers when paired with a high deductible health plan (HDHP), and you can't be covered by another health plan, including Medicare. The savings are based on the fact that HSAs have significant tax advantages.

A survey of employers (see methodology) reveals that the advantages associated with these plans are not being realized, and opportunity remains for more employees to adopt and take advantage of HSAs offered by their employers. For example, these financial tools allow consumers to put aside dollars – pretax – and spend them on health care tax-free. However, as the data shows, employers agree that to help employees better realize the benefits of HSAs, more attention needs to be placed on educational efforts, information sharing and administrative simplicity.

## Employers embrace HSAs

HSAs have become a common staple in employers' benefits packages. About two-thirds of the organizations that participated in the survey (see methodology) are offering HSAs to their employees.

However, research reveals there is ample opportunity for employees to more actively participate in HSAs. Consider the following: only about one-third of employees participate in HSAs. And while participation in HSAs is low, utilization once enrolled is even less, as a study from United Benefit Advisors shows that **only about 17% of employees enrolled in HSAs actually use them.**<sup>2</sup>

This low level of participation can be frustrating as employers offer HSAs with good intentions. Indeed, employers bring these accounts into the benefits mix in an effort to provide their employees with the tools and resources that allow them to make health spending and savings choices that will help them achieve their financial goals. More specifically, employers offer HSAs to provide their employees with financial savings benefits (**70%**), tax benefits (**65%**) and more flexibility and control of their health care savings and spending (**45%**) (see Figure 1).

**Employee participation in HSAs can result in significant value for employers as well, as increased participation can result in lower payroll taxes.**

To get more employees to enroll in an HSA, employers need to understand exactly what prompts employees to adopt and utilize them – and then design their benefit offerings accordingly. Employers, for example, might achieve greater adoption by choosing the right HSA plan options (fees and interest rates), paying HSA fees for employees, and contributing to employee accounts. In addition, many employees are not taking advantage of HSAs simply because they don't understand how the accounts can work to their advantage. In fact, survey participants cited **"employee level of personal health care knowledge/education"** as the biggest challenge

### HSA benefits (Figure 1)

Employers cite the following benefits for employees:



**70%** Financial savings benefits



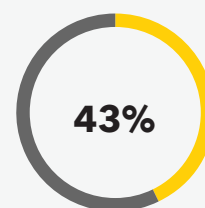
**65%** Tax benefits



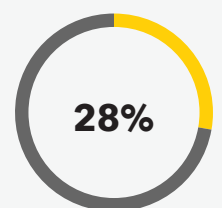
**45%** More flexibility and control



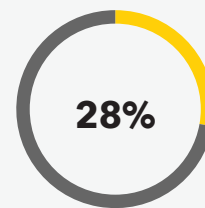
Employers cite the following benefits for employers:



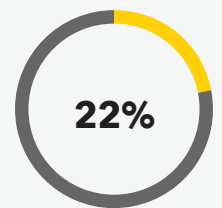
Lower premiums



Lower payroll taxes



Employee retention



Employee recruitment

when offering health spending/savings accounts, with 31% of respondents rating the task as “very challenging” (see Figure 2).

## Providing employees with the nudge needed to participate

Employers can’t simply offer an HSA and expect employees to immediately understand what it is and how it works. Instead, employers should put effort into making sure employees understand the differences between their health plan offerings, including what each of the health spending and savings accounts are, and how to best use an HSA.

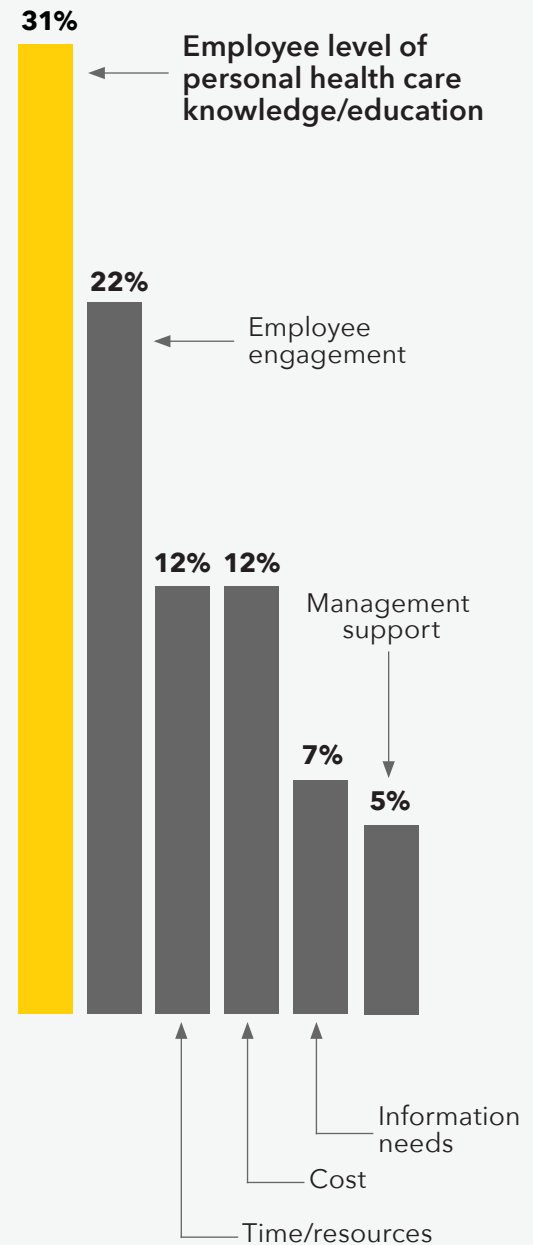
Many employers who participated in the survey cite educational efforts designed to bring about such understanding as a best practice. One respondent says that “educating employees is key. Implementing an HSA generally means a much higher deductible is in play, which is scary to employees. They need to understand the benefits.” Another survey participant states that “you must educate employees on the advantages and disadvantages of each option more than once a year.” Another employer offers insight into how to develop the best educational initiatives by noting that employers must “know [their] audience. Speak to them in language and grammar and stories that facilitate understanding what’s meaningful to them regarding their health spending/savings programs.”

To improve educational efforts, employers need to take a close look at how they are sharing information with employees. Currently, information regarding health savings accounts is most commonly shared with employees electronically and through in-person information sessions. Indeed, 74% of employers tap into an online benefits portal, and 75% use email to share information about HSAs. In-person information sessions are also commonly utilized, with 78% of employers using them to share information about HSAs. The data shows the percentages drop in these categories when sharing information

## HSA challenges

(Figure 2)

Employers cite the following challenges



about other spending and savings accounts, like health reimbursement arrangements (HRAs) or flexible spending accounts (FSAs).

While employers are - to a large extent - making information available to employees, they most likely need to do more to encourage employees to fully leverage health savings accounts. For example, instead of simply offering information online, employers might want to consider providing access to tools and educational resources that will help employees make smart financial decisions. Employers should make a concerted effort to show employees how to spend their health care money wisely, in addition to saving it. One example of this is to ensure employees understand what items are considered eligible expenses that can be purchased using their HSA funds.

One survey respondent says that employers need to use “tools that help give employees the basic understanding of the HSA,” while another notes that it would help to make “cost comparison/estimating tools available to employees.” Such tools could help employees get answers to specific questions such as:

- “What is the maximum contribution for my HSA?”
- “How do I get reimbursed?”
- “Can I get another debit card?”
- “What expenses are eligible with an FSA?”

Taking advantage of the services offered by benefits brokers/consultants, as well as the health spending and savings account administrator, can also empower employers to enroll employees in HSAs. Respondents cited a variety of benefits associated with working with a benefits consultant such as “suggest plans that best fit organization’s needs” (84%), “help stay in compliance with changing health care regulations” (81%) and “help with employee education” (79%).

Benefits consultants can help employers better explain the intricacies of health savings accounts to employees. For instance, a benefits consultant might be able to guide

**Employers should make a concerted effort to show employees how to spend their health care money wisely, in addition to saving it.**

employers to better show employees how to spend their health care dollars, in addition to how to save them. Don't be afraid to reach out to use partners to help reiterate messaging.

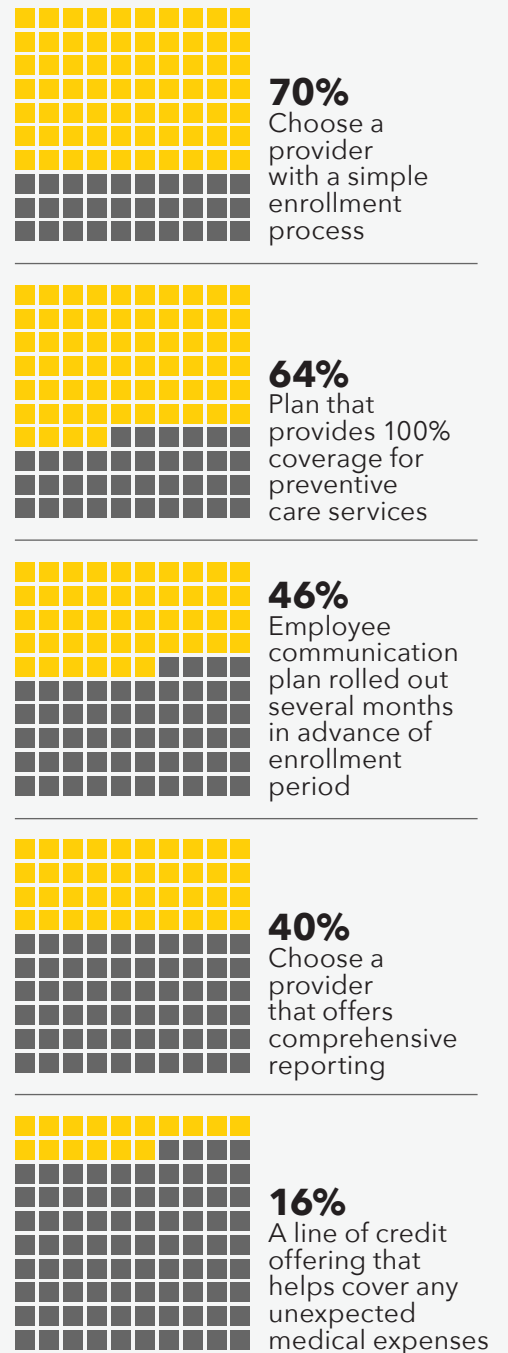
## Simple ways are best

Employee engagement is another hurdle that employers face as they offer HSAs, with **22%** citing this as a significant challenge. Not surprisingly, **70%** of employers point to choosing a health spending and savings account administrator with a simple enrollment process as a health savings account best practice; **64%** note choosing a plan that provides **100%** coverage for preventive care services; **46%** suggest an employee communication plan rolled out several months in advance; **40%** highlight choosing a provider that offers comprehensive reporting of the enrollment period; and **16%** would provide a line of credit offering that helps cover any unexpected medical expenses (see Figure 3).

Finding the right health spending and savings account administrator is critical to any program success, and a benefits consultant can help employers find the right fit based on their needs. The research also highlights that easy account access and low fees rate highly among employers. Finding the right administrator can help ensure that - once employees have adopted the accounts - accessing, using and understanding them are just as important.

Respondents are also quick to highlight ease of use for both employers and employees as a significant advantage. "Our program has an app which makes managing claims easy. It is also a great tool for employees to manage their account with minimal effort," says one respondent. Another employer characterized making "it as easy as possible for the employee to enroll and use their HSA funds" as a best practice. And, one survey participant notes that "the main reason we are considering changing administrators is because of the burdensome process for auditing [eligible] purchases."

## Health savings account: Best practices for employers (Figure 3)



## Conclusion

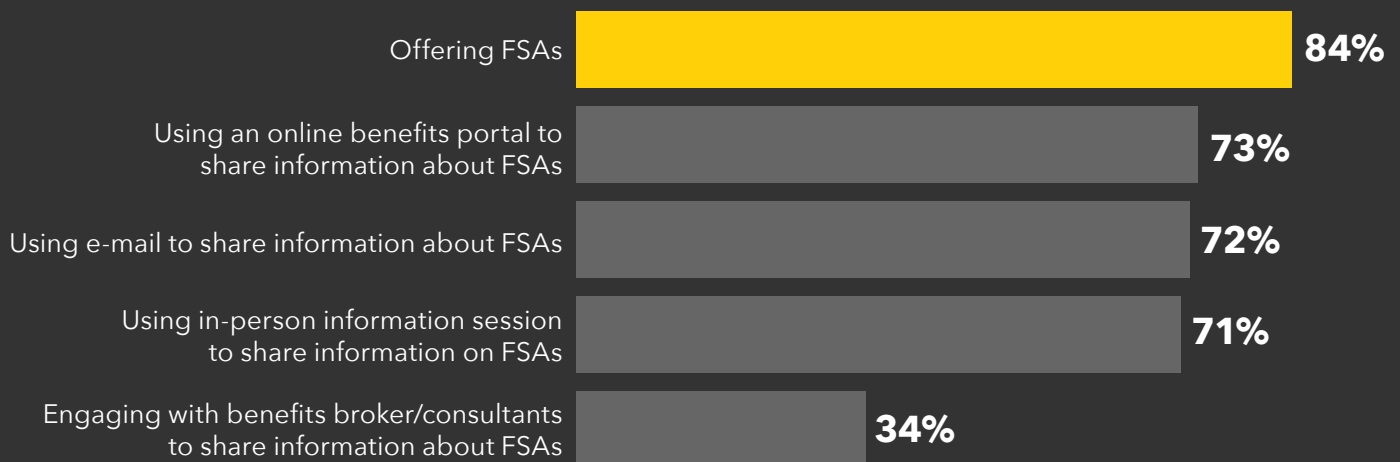
Employers can help employees manage their finances better by offering them access to health spending and savings accounts. But they can't simply offer HSAs and expect employees to engage. Instead, employers must offer education that sheds light on the value of these accounts, continually share information about the benefits of HSA participation and make it easy for employees to enroll in and manage their accounts. By taking these actions, employers can achieve the level of employee engagement that will result in the financial benefits these plans were designed to offer.

**Employers must offer education that sheds light on the value of HSAs and continually share information about the benefits of participation.**

## Flexible Spending Account

Often confused with the HSA, a flexible spending account (FSA) is a type of account that provides employees with specific tax advantages. Set up by employers, these accounts allow employees to contribute a portion of their regular earnings to pay for qualified expenses, such as medical expenses or dependent care expenses.<sup>3</sup> Employees do not need to participate in a high-deductible health plan to take part in an FSA.

**Employers are bringing FSAs into the benefits mix but employees are not yet fully taking advantage of these offerings.**



**But only 25%** of employees are participating in FSAs

## Methodology

In September 2018, SourceMedia Research/Employee Benefit News conducted an online survey commissioned by Further. Respondents include 313 human resources and benefits managers and directors at organizations with 5,000 or less employees. All of the respondents are involved in employee benefits decision-making. Questions included a mix of HSA-specific questions and questions related to general health spending and savings account options.

### About Further

Further (formerly SelectAccount) is a national leader in health savings and spending account administration, serving corporations, small businesses, labor unions, retirees and groups in the public sector. Based in Eagan, MN, Further provides health savings accounts (HSAs), flexible spending accounts (FSAs), health reimbursement arrangements (HRAs), voluntary employee beneficiary association (VEBA) accounts and commuter benefit and custodian services. With more than \$1.5 billion in assets under management, Further guides account holders across the United States in saving and spending wisely on their health care. Further is an IRS-approved nonbank trustee through the U.S. Department of Treasury.

### About SourceMedia

SourceMedia Research provides full custom B2B research solutions for marketers, agencies and other targeting business sectors, such as accounting, banking, payments, mortgage, insurance, HR/employee benefits and wealth management. SourceMedia Research is a unit of SourceMedia Inc., whose B2B media brands include *Accounting Today*, *Financial Planning*, *American Banker*, *The Bond Buyer* and *Employee Benefit News*.

## References

1. AHIP. Health Savings Accounts and High Deductible Health Plans Grow as Valuable Financial Tools. [https://www.ahip.org/wp-content/uploads/2018/04/HSA\\_Report\\_4.12.18.pdf](https://www.ahip.org/wp-content/uploads/2018/04/HSA_Report_4.12.18.pdf).
2. United Benefit Advisors. Special Report: How Health Savings Accounts Measure Up. [https://cdn2.hubspot.net/hubfs/182985/docs/2016-uba-special-report-on-hsa-and-hra.pdf?\\_hssc=53194871.3.1494885129355&\\_hstc=53194871.a6472f37f42db6e5db8ca07ddc54cbc2.1492704751422.1494599688646.1494885129355.4&\\_hsfp=1283505112&hsCtaTracking=989ee4a8-56ed-40a5-96b0-1f7928061d7c%20percent7Cb4111d6d-ba0b-4233-bea2-e1d51e004695](https://cdn2.hubspot.net/hubfs/182985/docs/2016-uba-special-report-on-hsa-and-hra.pdf?_hssc=53194871.3.1494885129355&_hstc=53194871.a6472f37f42db6e5db8ca07ddc54cbc2.1492704751422.1494599688646.1494885129355.4&_hsfp=1283505112&hsCtaTracking=989ee4a8-56ed-40a5-96b0-1f7928061d7c%20percent7Cb4111d6d-ba0b-4233-bea2-e1d51e004695)
3. Investopedia. Flexible Spending Account. <https://www.investopedia.com/terms/f/flexiblespendingaccount.asp>

The content of this white paper is for informational purposes only, is general in nature, is not meant to include all health insurance plan designs, and is not intended to and should not be relied upon as legal or tax advice.