



FURTHER<sup>SM</sup>

## The perception gap with health savings accounts:

Where employers and  
employees diverge –  
and what employers  
can do about it



In fewer than eight short years, health care spending in the U.S. is expected to reach a staggering **\$6.19 trillion** – an increase of more than 19% over today’s spend.<sup>1</sup> What’s more, the need for medical goods and health care services is expected to grow at an average annual rate of 2.4% from 2019 to 2028, accounting for 43% of the total projected growth in personal health care spending.<sup>1</sup>

How will consumers pay for it all? Many will look – and are already looking – to their employers for answers, demanding tools and resources to help them manage and pay for care.

## Understanding how HSAs impact the employee experience

One resource employers can leverage to help meet these demands is health savings accounts (HSAs). HSAs were originally introduced to employees primarily as a long-term investment tool that can also be used to pay for eligible medical expenses along the way.

To better understand how HSAs are being perceived by employers and employees, Further, a national health savings administrator, conducted two surveys:

1. In June 2020, Further surveyed 1,200 U.S. employees who currently have a high-deductible health plan (HDHP), sometimes known as a consumer-driven health plan (CDHP), who also have an HSA. The goal of the research was to understand how employees use their accounts, the level of their health care literacy confidence, and what impact COVID-19 has had on their attitudes toward benefits.
2. In the fall of 2019, Further asked employers at organizations with up to 5,000 employees why they offer health savings and spending accounts and how they educate employees to make informed choices about their health care spending.

Findings revealed there is a perception gap between employees and employers in how these accounts can or should be used. This white paper dives into key insights on how employers and brokers can narrow the perception gap before open enrollment 2020 begins.

## The findings: HSAs are a valuable employee recruitment and retention tool

Employers understand that job candidates, as well as current employees, want competitive health benefits packages. In fact, when asked how important the benefits were in deciding to accept a job offer, 24% of employees said this was the most important factor, followed by 46% who reported it was very important.

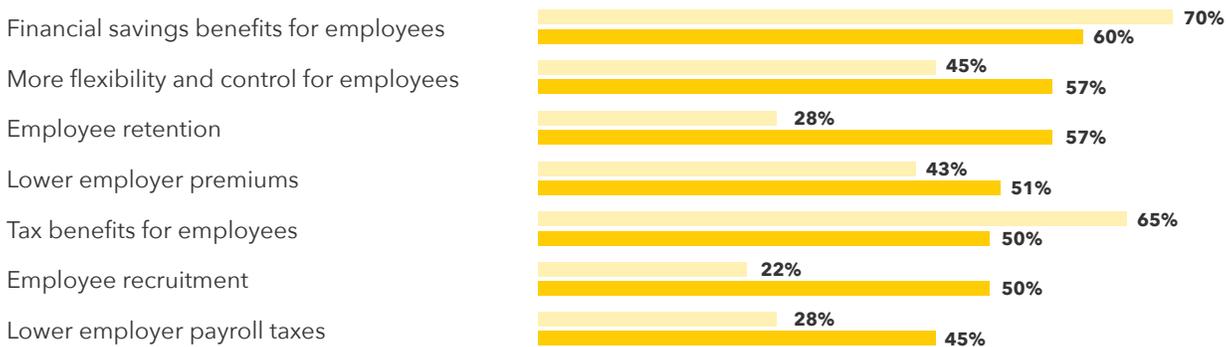
*How important are benefits offerings when accepting a job?*

Most important	24%
<b>Very important</b>	<b>46%</b>
Somewhat important	22%
Not very important	5%
Not at all important	3%
Least important	1%

When asked how significant the following objectives were for offering health spending and savings accounts, employers reported a significant increase, year over year, for employee retention (from 28% to 57%) and employee recruitment (from 22% to 50%). Comparing the data from both employer and employee surveys shows that both groups value benefits packages.

More so, the majority of employees said their employers also contribute funds to their accounts, either monthly or annually, demonstrating an even deeper level of employer commitment.

*Employer survey results: How significant is each of the following for offering health spending and savings accounts?*



When employees were asked if their employers contribute to their HSA:

**49%**

said yes, their employer contributes **each month**

**41%**

said their employer contributes **annually**

## Investing in employee health pays dividends

One employer joined Further as a national group in January 2019, electing not to contribute funds to its employees' HSAs. In 2020, it made a change and contributed \$400 annually per employee HSA.

The result?  
Enrollment nearly doubled.

## HSA: Is it a savings or spending tool? Depends on who you ask

Employees want to be active participants in their health care. In fact, when asked why they selected an HDHP or CDHP paired with an HSA, over half said they want to put away money not as an investment but to have funds available to pay for health care expenses that might arise now or in the near term. Survey respondents also associate benefits paired with HSAs as a “best value” option and a way to pay only for the services and care that they need.

*Employee survey results: Which of the following reasons contributed to your decision to select an HDHP or CDHP and an HSA?*

The ability to save my money for future health care needs	50%
Having a plan that is the best value for the money	47%
Minimizing health care expenses to only pay for what I need	37%
Having greater flexibility with health care services	35%
The ability to actively manage my health care dollars	33%
Having the tax benefit	30%
This was the only option provided for me	23%
Other	1%

It's notable that a little less than a third of respondents reported tax benefits as a key factor in their decision to purchase an HSA. Knowing this, employers may want to focus on the benefit of leveraging an HSA for future health care needs instead.

When employees were asked if they personally contribute funds to their HSAs:

**65%**

said they contribute **monthly**

**28%**

reported **adding lump sums** to their accounts as a way to prepare for future medical bills

As health care costs continue to rise, employees are forced to find new ways to pay. In fact, when employees were asked if they primarily use their HSA to pay for health care now or if they primarily use it as an investment tool, **65% report that they are using their HSAs for spending**, with 23% stating they use the account for equal parts saving and spending.

Yet employers have a much different perception. **Over 66% of employers associate HSAs with savings and as a long-term investment tool**, leaving a gap in how employees are actually perceiving and leveraging these powerful accounts.

There is a window of opportunity for employers to take action before the 2020 open enrollment period. They can use this time to update their employee messaging to educate and empower employees to fully leverage these accounts to help pay for care today.

## Empowering employees to be active health care consumers

Employers can empower – and engage – their employees by educating them about their health care benefits, especially when it comes to navigating the health care industry and finding the right cost-effective care. In a survey conducted by Kaiser Family Foundation, only 51% of consumers could correctly calculate how much they would have to pay for a hospital stay based on their deductible and copay. Only 16% could calculate how much they would have to pay for an out-of-network lab test. Three in 10 incorrectly believe that receiving care at an in-network hospital means that all the providers delivering services at that hospital are in network.<sup>2</sup> Employers can fill this knowledge gap by providing tools and resources for employees to shop for the right health care option.

Currently, 34% of consumers say that they always shop to find the right care at the right price.

Significantly, however, 25% of consumers who want to shop for care find it difficult to access the right information. In fact, nearly one-third of consumers simply rely on their primary doctor as the best option for treatment or a referral source. Yet approximately 40% of adults in the U.S. have reportedly skipped a recommended medical test or treatment, and 44% say they didn't go to a doctor when they were sick or injured in the last year because of cost.<sup>3</sup>

**With cost being such a large factor, and in the absence of tools and resources to determine the best place to seek treatment, employees may be abstaining from treatment altogether, potentially leading to more serious (and expensive) health concerns down the road.**

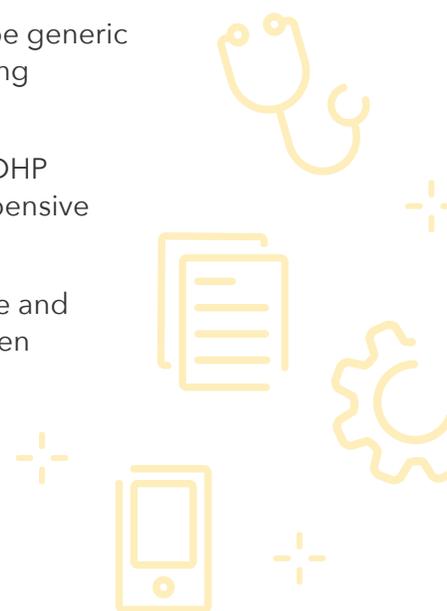
*Consumer research question: Over the past year, do you typically find yourself “shopping” for care before scheduling a doctor appointment/procedure in order to compare cost options?*

Yes, I always “shop” for care to find the right care at the right price for me	34%
Yes, I try to “shop” for care but it can be difficult to access this information	18%
No, I continue to see my primary doctor or the doctor that they refer me to	34%
No, I would like to “shop” for care but it is too difficult to find the information	7%
No, I don't have time/desire to research different options	7%



## Actions to take

- Encourage employees to take advantage of the free resources available through your health plan, such as preventive care benefits, including an annual physical, mammogram and other routine health screenings, as well as leveraging the plan's 24-hour nurse line.
- Promote virtual visits and convenience care clinics as the least expensive options for finding treatment for minor routine illnesses. Seeing a nurse practitioner or a physician assistant versus a doctor is another way to save money. And, teach employees that the emergency room is only for true emergencies.
- Recommend the use of shopping, price, and quality decision support tools to compare services at a more cost-effective outpatient center versus a hospital, and compare prescription costs at different pharmacies.
- Share cost-saving tips with employees such as asking their providers to prescribe generic drugs when possible, requesting a 90-day supply of prescriptions, and promoting prescription apps that offer additional savings.
- Encourage employees to speak with their doctor and pharmacist about their CDHP and treatment options. Doctors may be able to recommend alternative, less expensive procedures that are equally beneficial treatment options.
- Avoid using technical language or acronyms your employees may not recognize and make health benefit information available to them as early as possible in the open enrollment period.



## Employees feel more confident when they use their HSA

While employees cite challenges in becoming active health care consumers and shopping for care, 60% say they have a high confidence that they know how to fully leverage their HSAs. Comparatively, 75% of employers say that employees have a high understanding of their HSA. Yet data continues to show that employees themselves may be overstating their confidence level when it comes to truly understanding benefits offerings and use.

Even with 60% of employees reporting high confidence, 40% of them report feeling less than confident in understanding their account. This also suggests that employers are overstating (or misunderstanding) how comfortable their employees are with navigating their benefits.

Employers can bridge the gap by shifting the dialogue and positioning HSAs as spending accounts. By presenting HSAs in the way employees are actually using them, employers can also start a new dialogue that goes deeper than simply understanding the account for open enrollment purposes. Implementing an ongoing education program that extends throughout the year, empowers employees to become more literate and confident health care consumers.

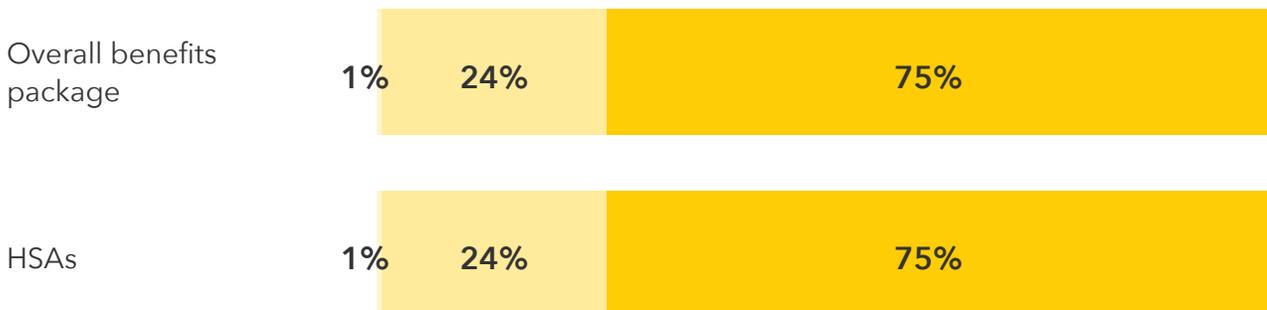
*Employer research question: On a scale of 0 to 10, how well do your employees understand their overall benefits package/health saving/spending accounts?*



*Consumer research question: To what extent do you agree or disagree with the following statement: I am confident that I fully understand how best to leverage my HSA.*

Agree completely	28%
Agree strongly	32%
Agree somewhat	29%
Disagree somewhat	9%
Disagree strongly	1%
Disagree completely	1%

■ Low level of understanding: 0 - 3
 ■ Moderate level of understanding: 4 - 6
 ■ High level of understanding: 7 - 10



## The impact of COVID-19 on HSAs

As COVID-19 began to spike in the U.S., consumers shifted habits related to their overall health and HSA use. With growing concerns over the pandemic, 69% of consumers reported that their health is more important to them today, compared to pre-coronavirus times.

When asked to prioritize the most important activities for maintaining their overall health, eating healthy, exercise and sleep were the top three, with optimizing health care plan use coming in last. For employers and brokers, this shows two things. First, employees want to be active participants in maintaining their overall health. Eating healthy, exercise and sleep are all things that employees recognize they can actively control. However, for many, these positive lifestyle habits can be difficult to maintain.

Second, employees need to understand that they can have greater control over their health care by taking advantage of funds available to them in their HSA. If for years HSAs have been positioned like retirement accounts that should be accessed only at some far-off date, employees may not realize their account is relevant to their current needs.

Given that employees report it difficult to navigate the complex health care industry and find the best care options, if they do not understand the power of their benefits and how to activate them, then they may simply decide that being an active user of their benefits is simply too difficult. In this case, they may not take cost into consideration and instead make choices that are simply the easiest for them to make.

*Consumer research question: How important, if at all, is your health today compared to before the coronavirus pandemic?*

My health is more important to me today, and I don't think the importance will ever decrease

**56%**

My health is more important to me today, but I'm not sure this feeling will last forever

**13%**

My health is just as important to me today as it always has been

**31%**

*Consumer research question: How important is each of the following activities in terms of maintaining your overall health?*

**58%** Eating healthy

**43%** Getting regular exercise

**40%** Getting adequate sleep at night

**33%** Managing stress

**26%** Optimizing how I use my health care plan

*(Among those whose health is just as important or more important today compared to before the COVID-19 pandemic, top two ranked responses)*



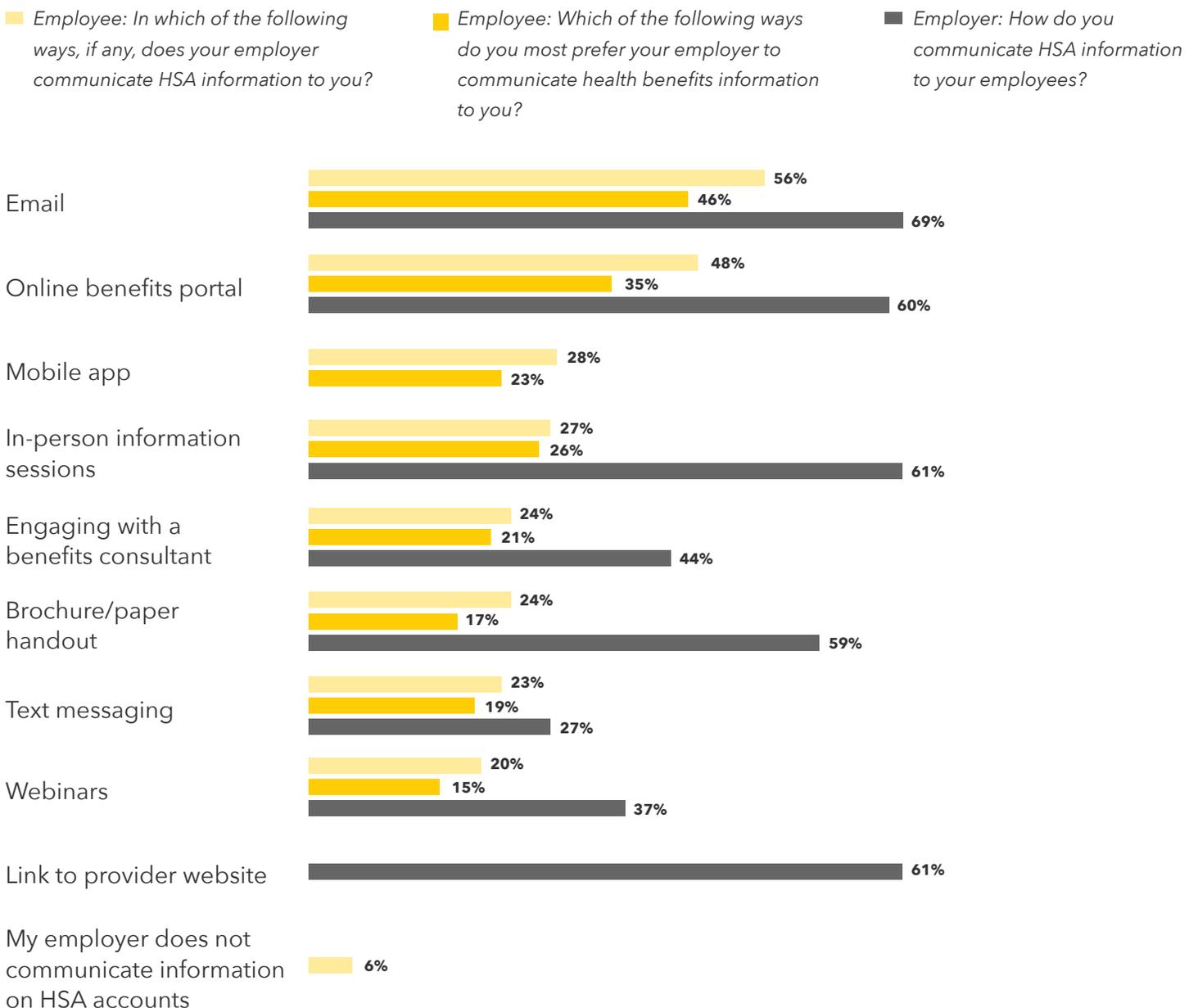
While many employees have stated that their overall health has become even more important in the wake of COVID-19, the reality is that for most Americans, preventive care has all but stopped since the pandemic began. From annual well-care visits to vaccinations, dental appointments, and mental health sessions, it is critical for employers to communicate the importance of these preventive care services in maintaining good health and avoiding more serious health issues and high costs in the future. Whether in person or via telehealth, these preventive health care appointments help sustain a healthy employee population. There is immense opportunity for employers to continue to provide health resources to employees to empower them to be good stewards of their health while demonstrating that the organization cares about their well-being.

## Focus employee messaging on savings before, during, and after open enrollment

In the wake of COVID-19, 63% of employees report that they are paying more attention to their health care benefits. Now is the time for employers to keep the momentum going into open enrollment.

While COVID-19 has brought about significant challenges, it actually opens up an opportunity to have a productive dialogue with employees about their health care and how best to save and spend funds in their employer-sponsored HSAs.

By changing the dialogue around HSAs to position them as spending accounts, employers can educate employees on how to shop for the right care at the right price for them. Not only will this empower employees to navigate open enrollment confidently, but also employee adoption of benefits will increase, creating smarter and healthier employee populations.





Because of COVID-19, open enrollment this year for 2021 will likely look different. With many companies continuing, or even permanently shifting to, remote work, effective online communication will be critical to ensuring that employees select the best benefits package and HSAs for themselves and their families. Recently, employees and employers alike have pivoted to using virtual technology, and many have become comfortable using telehealth.

Now more than ever, employees will need strong communication that leverages technology to make health care decisions. Therefore, all employees should have access to tools such as email, comprehensive online benefits portals, and mobile apps. Employers and brokers should evaluate not only the message that is being delivered but also the best medium to communicate through.

Employers now find themselves in a unique position where their employees are paying attention to their benefits more than ever. Employers must capitalize on this momentum to narrow the gap of understanding and shift messaging around HSAs to empower employees to become educated, engaged health care consumers.

Positioning HSAs as a savings tool or long-term investment vehicle no longer resonates with employees. With employers and even the industry updating how they position HSAs, by focusing on messaging that emphasizes spending over saving, employees will be better equipped to navigate their health care.

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1. <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2020.00094?journalCode=hlthaff>
2. <https://www.kff.org/health-reform/poll-finding/assessing-americans-familiarity-with-health-insurance-terms-and-concepts/>
3. <https://www.prnewswire.com/news-releases/new-survey-finds-large-number-of-people-skipping-necessary-medical-care-because-of-cost-300619114.html>