Episode 10:

HSA spring cleaning: Helping employees grasp the value

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Stephen Durso: You want to focus on moving your employees along that continuum of HSA optimization one step at a time.

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Announcer: You're listening to Benefits, with Purpose!, a WTW podcast where benefits delivery experts help employers navigate the world of health and wealth benefits and deliver purpose to their people in the moments that matter most.

Philip Massey: Hello. My name is Philip Massey. I've spent over 20 years in employee benefits. And I'm excited to be hosting another episode in our Benefits, with Purpose! series entitled "HSA spring cleaning: Helping employees grasp the value." With me today, to discuss how employers can help employees get more out of their HSA is our resident health savings account expert Stephen Durso, Associate Director at WTW. Good morning, Steve.

Stephen Durso: Good morning, Phil.

Philip Massey: So, Steve, spring cleaning? It's not quite spring yet. But it's worth taking a step back, asking what projects need to be addressed. Right?

Stephen Durso: Yeah. You mean like recalking the shower, fixing that hole in the drywall, cleaning out the garage, all of those things that you didn't want to do during the holidays, or you couldn't do during the winter months.

Philip Massey: That's right. Sounds like we have the same list. But where HSAs are concerned, it's a good time for employers to look at their population and identify those who could similarly use an assist in getting their HSA house in order.

Stephen Durso: That's right. So, every employer is going to have those that just enrolled in the high-deductible health plan for the first time. Maybe they enrolled in an HSA and are on a path to severe under-utilization. Some employees are going to be contributing little to nothing at all. And then there's also a group that may not have completed their enrollment at all.

Philip Massey: Given this reality, what should be on an employer's to-do list?

Stephen Durso: Well, first is the good news. Employees still have the ability to do HSAs. Given that enrollment in a high-deductible health plan allows for the enrollment and starting or changing contributions throughout the year at any time for HSA.

Philip Massey: So that's a key point. It's not too late.

Stephen Durso: That's exactly right. So, in fact, this is the perfect time of the year for employers to take a look at this type of project. So, part of their HSA spring cleaning should be an employers' review of the enrollment and the participation data to do an assessment of their options.

Philip Massey: Great. So, where's the best place for an employer to start?

Stephen Durso: Well, as a post-enrollment exercise for spring cleaning, let's take a narrow view. So, there's a lot that we can talk about as far as maximizing the value of an HSA. But for today, we're going to focus on the people that didn't get the year off to the best start. So, for the sake of simplicity, let's group them into three different buckets.

So, the first one I'd call out would be employees that just didn't know. They didn't know what the benefits were of an HSA. They likely contributed little to nothing. Beyond, maybe they got an employer contribution or a seed. Or maybe they're planning on getting some wellness credits. But they just didn't know. That's one group.

The second group I would target would be employees that couldn't afford to contribute. And I completely understand that. But there's often more value in the HSA than an employee is recognizing during enrollment.

And then lastly, the third group is going to be those who just didn't finish. So, they tried to enroll in an HSA. But HSAs have a required confirmation process to open the account called the Customer Identification Program. We'll call that CIP. Not everyone takes the time to complete that step. And this might be the saddest of the group because they tried to open an HSA, but they just didn't complete it.

Philip Massey: Right. So, OK-- so our three buckets are those that didn't know or couldn't afford or just didn't finish. So that's a good way to parse a population. I know from our WTW Employee Attitudes Survey, we found that of those who didn't enroll in their HSA, 57% said they didn't see the advantage. And 24% stated that they didn't have enough to contribute at that moment. So, we definitely see those profiles in our data.

Stephen Durso: Right. So, if we start with that didn't know group and if we're trying to define the problem, it may be rooted in the fact that high-deductible health plan options are often the least expensive medical choices at annual enrollment. So, employees are naturally going to gravitate towards them. Least expensive, however, does not mean the same thing as least complex. When employees are new to the high-deductible health plan concept and they really don't understand how it works paired with an HSA, they don't have the knowledge to take advantage of all the benefits.

And you know what these employees really-- they may not realize is that being able to contribute to an HSA provides support for out-of-pocket medical expenses, particularly, in the pre-deductible phase when their high-deductible health plans are not going to be contributing beyond maybe a network or provider discount. This is going to be the primary benefit of a high-deductible health plan. And if they don't take advantage of the HSA, they're missing out on the opportunity to pay a lot less for their medical care.

Philip Massey: Sure. That added complexity for the employee to one-- understand their medical options and then two-- understand how the HSA fits in with the high-deductible health plan and its role in supporting the medical plan. That's a lot to take in. There is an inherent relationship between the HDHP and the HSA that doesn't really exist with other benefits.

Stephen Durso: Exactly. And that leads us into the next group, those who couldn't afford or at least they didn't believe they could afford.

Philip Massey: I guess we should start by saying this part is tricky. We know employers aren't in the business of telling their staff how to spend their money.

Stephen Durso: Very true, Phil. However, there is an indisputable truth that every expense paid from an HSA saves money. It's going to be cheaper than any other means for an employee to pay for care, whether they're paying out of their bank account, whether they're using a credit card. You name it. Nothing is going to come with that immediate tax savings of an HSA, whether it's the contribution or when they're spending on a distribution. And then add to that, their dollars never forfeit. They're theirs forever. Amazing.

Philip Massey: Yeah. That is amazing. And of course, cheaper is better. And if you didn't know, that's one fact that's likely to get your attention. So next, let's look at the folks who didn't finish, who didn't get through the C-I-P, the CIP process. How should employers interpret this bucket?

Stephen Durso: The interpretation here is that the process is complex. So, we just talked about the relationship between the high-deductible health plan and the HSA being unique. Similarly, understanding that while CIP may be an additional step, it's really fairly painless. So sometimes, a person may be required to provide an additional document to their HSA administrator. But it's usually as easy as sending the administrator a copy of your driver's license or maybe providing another simple document.

It's typically less labor intensive than something like an evidence of insurability that employees are used to for life insurance. Plus, it's just a one-time thing. Once that account is open, it belongs to the employee ever after.

Philip Massey: Now, those are a couple of great points. With an understanding of those who have, let's say, made a bit of a mess of their enrollment and could use some help cleaning up either in not finishing or not taking advantage of the HSA's value, what should an employer look at in terms of engaging their population?

Stephen Durso: It's all going to be about the data and messaging. So, your data-- you could consider that your cleaning solution. It's where you're going to find the people who could use a little cleaning, as you say. Employers have to partner with their administrators to identify the different buckets. And then you can start to look at messaging.

Philip Massey: OK, so the data? Perfect. Then you can look at the messaging. What are employers looking for?

Stephen Durso: Well, there's a couple of points that are obvious-- high-deductible health plan enrollment with no corresponding HSA. Remember, there are going to be some folks who may not be eligible. So, you may need to do some filtering by those who have opted out within a specific enrollment questions required. They may have said that they are Medicare-eligible. Or maybe their spouse has a flexible spending account that makes them ineligible for HSA. Your enrollment administrator should be able to help here.

The second one, for people that actually fail the CIP process-- this should be straightforward as well with your HSA administrator. Then the third one is going to be just the HSA annual election. Employers could look at their annual elections and the contribution amounts and maybe target people that contributed under $500 for the year. And then if you're trying to find where affordability may be an issue, you can look at the medical enrollment as part of the equation as well. It can provide good perspective.

Philip Massey: I like that. So, you're mirroring different aspects of the data to say, how many of my low or no contributors are in my bronze plan, for example.

Stephen Durso: Right. That's exactly correct. Once you're in that analysis, you could even pull in your plan data. Along those same lines, you can pull in salary band-- location might also be helpful. It can be a little bit more work. But if this is the first time, you're mining the HSA enrollment, it could help you identify a group more specifically.

Philip Massey: So, an employer could, for example, get down to discovering, oh, my California union location seems to be lagging a little behind.

Stephen Durso: Yeah. That's exactly right. And there could be an opportunity there to partner with resources on site at that California location to either create some physical materials or maybe host a QA in person. Or maybe our podcast could even show up at the California location.

Philip Massey: Excellent. I love the West Coast. You mentioned some communication methods there. If we look at data mined in our three buckets as folks didn't know, didn't finish, couldn't afford, what sort of messaging might be appropriate?

Stephen Durso: Well, each one is going to be a little bit different. And employers who have taken that time to dig into the data should then think about their specific audience that they've identified in their results. So, the CIP one-- that's the one that's probably the easiest one. Your HSA administrators are likely already reaching out to this group, asking them to send in additional documentation. So, you can think about this messaging from the employer as complimentary.

But you may want to take action because you can highlight that submitting the documentation is easy, which should definitely be the case in 2022. And you can also just share with them the benefits of the HSA. Oftentimes, if there's a communication coming directly from the employer in addition to the administrator, it can make the employee take action in more cases. So that additional reinforcement should be viewed as an opportunity to expand the conversation with that employee.

Philip Massey: And that makes sense. You're banking on the fact that the employer's brand in the frontline of the email buys a little more of the employee's attention span.

Stephen Durso: That's right. So normally, you get 8 seconds. This time, maybe you get 12 coming from that employer. But that is a significant difference. So, it can move the needle for sure. Now, didn't know and couldn't afford, those two groups-- that's going to require some additional data. You may want to look at your salary or enrollment data to provide clues that could split these into two groups. But let's assume for a moment that didn't know group is about education.

This is an opportunity to define what the HSA is. Context is going to be key. You want to think about that relationship between the high-deductible health plan and the HSA. Highlight that role of the HSA to provide the pre-tax savings on medical expenses on pre-deductible. Some easy examples there are going to be prescriptions, co-pays, doctor visits.

You can maybe dispel the misconception about forfeitures as well. A lot of employees are used to having a flexible spending account in the past. And the flexible spending accounts are use it or lose it plans. So many people make the misconception that that also applies to HSA. But that is not the case at all.
Then lastly, we have the can't afford segment. This segment requires a little bit of care because an employer is drawing out assumptions, but obviously, they don't know in every individual circumstances. But an example of the immediate tax savings should be broadly applicable. I think we may have talked about this in our November podcast about HSA engagement.

Philip Massey: That's right. Shameless plug.

Stephen Durso: Shameless plug, indeed. So, episode 8, I believe? Two easy points to illustrate HSA value to those folks that believe they can't afford it. One, it's going to be every pre-tax dollar spent from the HSA is essentially a discount on out-of-pocket medical. The discount takes place not at the register but at payroll. And regardless, the employee pays significantly less when using the HSA. And then if you want to look at it over the year-- contributing an additional $1,000 a year, that's only going to be $40 a paycheck for someone who's paid biweekly, which again, being pretax is really going to only hit them with about $30 less take-home pay.

And then if they can't afford that, it's probably more within reach than employee believes-- just half of that. So only $500 for the year would only cost $20 out of the paycheck, which is about $15 take-home pay. So that's really a small number biweekly, but it really adds up over time.

Philip Massey: So again, we go back to the point that it's probably more within reach than employees believe it is. And of course, they can make these changes at any time.

Stephen Durso: That's right. If you can't necessarily differentiate the "why employees didn't enroll or contribute a significant amount", you can send successive communications that highlight these points separately.

Philip Massey: Right. We always recommend smaller, bite-sized messaging, anyway.

Stephen Durso: That's right. So, you can make it part of a larger campaign. As employers know, you could write a novel on benefits of the HSA. But who would read that?

Philip Massey: That's right. Nerds like us would.

Stephen Durso: Oh, I know I would definitely read it. But an employer can always come back to review this group next year and how many have enrolled at that point? They can match up year over year. What's their behavior? Are these employees spending? Are they saving? At that point, the messaging could be a little bit different. So, you, as the employer, have moved beyond clean-up and into HSA optimization. It's time for bite-sized communications, speaking to the benefits of maybe investing or saving for retirement, banking receipts, all that jazz.

Philip Massey: And that's the ideal outcome. You focus on employees that fall into these three buckets we've been talking about this year. And in subsequent years, ideally, you move the messaging that optimizes the next stage of HSA engagement. So, as they're sort of working their way through the HSA life cycle, the messaging change to help optimize that stage and then the next and then the next.

Stephen Durso: Absolutely. You want to focus on moving your employees along that continuum of HSA optimization one step at a time.

Philip Massey: So, Steve, to summarize, how would you wrap up HSA spring cleaning for an employer?

Stephen Durso: Well, you know, it's always going to come down to education. But employers should resist the temptation of trying to go too big with the messaging. We've been talking about low, no contributors, and new HSA users. I would encourage employers to work with their administrators to dig into the data and find commonality-- so a profile, if you will. And message as specifically to that group as you're able to. Again, we talked about you likely have 8 seconds worth of attention span to make an impact. You really want to make it count.

Philip Massey: Great insights, Steve. If an employer wants to get their HSA enrollment cleaned up for spring, a simple nudge can often help employees grasp the value that they're missing out on. And this is the perfect time of year to get such a message out there. Well, thanks, Steve.

Stephen Durso: Thanks, Phil. It's always fun getting together for these podcasts.

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Philip Massey: And thanks to all of our listeners for tuning in to Benefits, with Purpose! I wish each of you good luck in your spring cleaning. Be well, all.

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