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Best Practices in Health Savings Account Acceptance, Adoption, and Success

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Health savings accounts (HSAs), as a key component of consumer-directed health care plans (CDHPs), are an idea whose time has almost come. As the health insurance counterpart of the retirement plan IRA, these tax-advantaged accounts were expected to quickly become the option of choice. While that has not yet occurred, usage is growing. In fact, HSA adoption rates exceed those for HMOs when they were first introduced in the 1970s with 3.2 million Americans currently enrolled in such consumer-directed programs.¹ A lag time in the acceptance of new ideas is typical. However, there are methods that have proven successful in decreasing reluctance and increasing adoption of HSAs.

With premium increases steadily exceeding cost-of-living and salary increases, gaining more widespread acceptance of money-saving health care options is crucial for U.S. companies in order to maintain profitability and global competitiveness. Health care costs represent more than 15% of the country's gross domestic product² and therefore also exert sizable influence on our economic outlook. A recent study by Aon Consulting Worldwide, the consulting organization of Aon Cor-

poration, and the International Society of Certified Employee Benefit Specialists shows that a company can achieve first-year savings of 8% of premiums by implementing an effective consumer-directed health care strategy.³ The question is: What constitutes "effective?" Studying companies who have experienced success in the promotion of HSAs provides clues to common characteristics of programs that have exceeded the 2% of employees who typically choose a consumer-directed plan.⁴

Choice

When HSAs are offered as the sole alternative to traditional plans, enrollment increases. Conversely, employers who offer more than three options see decidedly fewer employees choosing consumer-directed health care.⁵ As is the case with several of the characteristics of successful HSA plans, more is not necessarily better. In addition, increasing the number of plan options creates more internal administrative duties for HR personnel adding another level of financial burden for companies already struggling to pay for appropriate levels of health care coverage.

Support

The Kaiser Family Foundation reports that employees currently in consumer-directed plans often report lower satisfaction, most likely due to confusion about how the plans work.⁶ A survey published by the Towers Perrin employee-benefits firm found that employees with plans such as HSAs felt less capable of finding a good doctor or hospital than their colleagues in traditional plans. Ironically, these employees

were often in the same network with access to exactly the same care.⁷

Helping employees shop for health care supports their decision to choose—and their satisfaction with—HSAs. People think they can call the doctor and ask about the cost of an MRI. They are flabbergasted to learn the doctor generally has no idea. Being a good consumer means being able to make informed comparisons. Currently, some providers are offering online systems that compare local and regional cost and outcome data. Educating employees on using these systems and providing more information helps create better health care buyers. According to the 2006 "HRA/HSA Survey for Consumer-Directed Health Care Plans," companies that "strongly support" their consumer-directed plans experience a 17% participation rate versus a 2% rate for companies that were neutral or showed low or moderate levels of support.⁸

Wellness

Because HSAs are of most benefit to employees with the fewest health problems, successful programs—and conscientious employers—must incorporate a wellness component. Promoting an internal culture of wellness through health fairs, gym memberships, smoking cessation programs, weight control programs, and screenings makes financial sense for both employer and employee.

Personalization

Different ages and wages mean different health care needs and concerns. Tailoring HSA offerings to match various employee groups means

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better acceptance and appropriate cost containment. The way plans are structured and funded should also match the corporate culture. Exceptional health care coverage is the most desired employee benefit today, above salary, vacation time, or other perks, according to “Working in America: The Key to Employee Satisfaction” by Harris Interactive and commissioned by Kronos Incorporated.⁹ Companies that offer better benefits, as perceived by their people, are preferred employers, attracting and maintaining cream-of-the-crop employees.¹⁰ With more than 50% of employees looking for new positions at any given time, the costs of finding, training, and keeping a quality workforce cannot be discounted when weighing the relatively lower costs of tailoring a health care plan.¹¹

Personalization also applies to marketing communications. Any time materials can be matched to an employee’s health situation, financial circumstances, or life-cycle stage (birth of a child, health crisis, or retirement), effectiveness is increased.

Technology

Online tools and technology boost HSA enrollment for companies who use them properly. Access to personalized Web-based programs such as Anthem’s Lumenos lets consumers see comparisons of costs and outcomes of various procedures at different health care facilities. The result is more informed decision making, appropriate utilization of health care resources, and, ultimately, better health care services through comparison and competition. Plus, the majority of employees (62%) rank the Internet as one of the preferred

ways to receive benefits information. That preference remains constant across all age groups, from age 18 to those 60 years and older.¹² However, as mentioned previously, more is not always better. Providing a plethora of Web sites and online information can cause as much anxiety as too little information. A few well-selected and vetted sites provide the right level of knowledge without being overwhelming.

Incentives

The majority of companies with consumer-directed enrollment exceeding 40% have designed plans with out-of-pocket maximums.¹³ This is key to HSA acceptance. Employees who do not choose these plans cite fear of high out-of-pocket costs as the primary reason. Though HSAs offer definite savings opportunities, the prevailing mindset for those used to HMOs/PPOs is that copays are more cost effective. Therefore, providing first-dollar coverage, especially for preventive care, and employer funding of plans are essential incentives for behavior change at renewal time. Higher participation can be achieved also if HSA accounts are prefunded at the beginning of the year and the employer shoulders the administration fees.¹⁴

Many companies go a step further and provide financial incentives for wellness. Reducing employee premiums for attending smoking cessation classes, reducing cholesterol or blood pressure, or participating in annual health risk assessments are all areas that may be promoted with financial rewards.

Data

Most employees do not comprehend the value of their compensation

packages, according to a survey from Harris Interactive and Charlton Consulting Group.¹⁵ Providing information on the value of health care and welfare benefits can help individuals appreciate and understand the investment their company has in them. That understanding results in better satisfaction with the options offered, fewer complaints, and higher enrollment.

Engagement

Human resource professionals at companies with successful HSAs are actively engaged in and are committed to the concept of consumer-directed health care. If programs are seen merely as a way to reduce company expenses short term, HSAs and the like are doomed to fail. HR management and front-line staff must themselves understand the significance of the plans for their employees’ lives, finances, and health. A company’s benefit consultant should be able to be counted on to deliver support, communication, and assistance in this area.

Integration

Support from human resources is critical; so is top-down support from upper management. Buy-in from the CEO, CFO, and COO assures that the program has the appropriate level of intellectual and financial commitment necessary. Successful HSAs are integrated into the overall business plan and HR strategy. As Bill Sharon, senior vice president of the human resources consulting division of Aon, states, “If companies are just trying to cost shift and only get ten percent enrollment, they will tend to be the youngest and healthiest and won’t significantly decrease an organization’s health care cost.”¹⁶

Communication

The second annual “Consumerism in Health Care Survey” by the Employee Benefit Research Institute (EBRI) and The Commonwealth Fund found that only one in five consumers in 2006 was even somewhat familiar with consumer-directed health plans.¹⁷ This number was unchanged from the previous year. Obviously, no matter how much choice, support, and incentives an employer provides, communication is key to HSA adoption.

Educating employees not only about HSAs, but also about how to be better health care consumers and take responsibility for medical decisions is no small task. In most cases, it requires a mental shift from “my doctor decides what I need” to “I decide what I need.” While that level of personal responsibility scares some people, with the proper information, individuals are just as capable of making important, high-dollar health care decisions as they are about investing their retirement funds or buying a house.

Internal marketing, from things as simple as posters and payroll envelope stuffers to sophisticated online tools, helps reinforce the message. Creating scenarios that illustrate the difference in costs and outcomes between an HSA and a traditional plan will help employees understand more clearly how the plan might benefit them. Employers who spend the time and money necessary to educate workers about HSAs report higher levels of satisfaction and more preventive care than traditional plans.¹⁸

In fact, the communications aspect of HSA success cannot be over-

stated. As revealed in the “HRA/HSA Survey for Consumer-Directed Health Care Plans,” 81% of respondents feel “failure to educate employees” is the primary challenge in implementing a successful program versus 7.4% for pricing, 7.4% potential adverse selection, 1.7% vendor selection, and 2.5% for all other reasons.¹⁹ ■

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 - (2) Employment Policy Foundation, <http://www.healthinsurancedepth.com>.
 - (3) Aon Consulting Worldwide and the International Society of Certified Employee Benefit

Specialists as reported in CNNMoney.com, September 12, 2007.

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