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“Is an HDHP/HSA the right prescription for your company?”

A new study from Alliant Credit Union finds that High Deductible Health Plans (HDHPs) coupled with Health Savings Accounts (HSAs) can be a good fit for many employers and employees. However, introducing such an employee benefit provides an employer with both opportunities and barriers that must be handled with care for a successful implementation.

U.S. government legislation created HSAs in 2003. From the outset, some employers found HDHPs and HSAs an effective way to save health insurance premium costs and still maintain a competitive health care package to attract and retain valued employees.

Today, 45% of all U.S. companies offer an HSA-eligible HDHP plan (usually as an option in addition to traditional HMO and/or PPO coverage).¹ As a result of the current economic meltdown, 13% of U.S. companies have added an HDHP (or are looking into adding one in 2010).² In fact, as HDHPs grow more pervasive, they may become as traditional as today’s “traditional plans.”

- Currently 8 million Americans have HSAs³
- 8% of all U.S. employees are enrolled in an HSA-eligible HDHP plan⁴
- By 2012, between 11 million and 13 million Americans are expected to have an HSA account⁵

As a rule of thumb, experts say, **companies can save 20% to 40% on their health care premiums** when employees switch from a traditional plan to an HDHP.⁶ That translates into **an average savings of \$1,800 per worker⁷** in annual premium costs.

But, at best, introducing an HDHP is not only about cost shifting health insurance expenses. It’s a way for both employers – and employees – to come out ahead and save money. For success, an employer must take steps to address employee concerns and show that the HDHP can be in their best interests. To gauge employees’ knowledge and perceptions of

HDHPs and HSAs, Alliant conducted an online survey of 1,020 people employed in companies of various industries and sizes. We also conducted follow-up personal interviews with individuals who are – or were – enrolled in an HDHP to learn about their experiences with them and their attitudes toward them.

We discovered that HDHPs and HSAs suffer not only an image problem, but also an awareness challenge. Unless employees work for a company that offers an HDHP, odds are they don’t know what it is. In fact, **only 32% of the respondents in the survey had heard of an HDHP if their company did not offer one.**

When respondents were introduced during the survey to the concepts of an HDHP and an HSA, the response of the majority was, at best, lukewarm: 47% were neutral to the idea. And negative responses outweighed the positives: 34% to 20%.

Over half, 53%, of the respondents said they wouldn’t consider an HDHP if they had a choice. On the other hand, **32% of the respondents said they would consider switching to an HDHP if it was offered as an option at their company.**

Employees in companies that offer an HDHP option declined the plan for the following reasons:

- 44% considered the deductible too high
- 23% didn’t think the price was aligned with its value
- 20% preferred traditional coverage

On the other hand, respondents in companies that offer HDHP/HSAs chose it because:

- 69% preferred the low premiums
- 45% liked the tax-favored HSA option
- 36% appreciated the employer match
- 31% enjoyed the freedom of choice for their doctors and hospitals
- 26% saw the plan as a good catastrophic care plan/safety plan

How will introducing an HDHP play out in your company? In a best-case scenario, you'll be able to introduce an HDHP as an additional option to your current health plan offerings. By simply doing a good job of pointing out the comparative benefits among plans, you'll enable employees to self-select themselves for the plan, based on their needs and its perceived value.

According to proponents of HSAs, the benefits of an HDHP may be self-evident to:

- The young and healthy (who don't incur a lot of health care and related expense now)
- The wealthy who can afford a high deductible and can fund their plan as an investment with tax advantages.
- The financially savvy who can see the HSA as a way to build "equity" in their health care account
- Lower-compensated employees attracted by the lower premium

Here are some issues to think through:

1. If possible, introduce the HDHP as an added option rather than a full replacement for traditional health plans
2. Be transparent about your employee benefit insurance costs
3. Select a suitable HDHP, particularly a plan that covers annual checkups and preventative care before a deductible is considered
4. Partially fund your employees' HSA accounts.

Today, 72% of the firms that offer an HDHP/HSA fund the account.⁴ And about 61% of consumers say they'd be more likely to participate in an HDHP/HSA if their employer were to contribute to their HSA account.⁸ The rule of thumb, experts say, is to contribute 50% to 70% of the annual deductible to your employees' HSAs

5. Provide the right message and good communications
6. Provide the HDHP within the context of other wellness programs

Today, HSA products are available from more than 2,000 banks, brokerages and credit unions.⁹ Although many HDHP providers have a preferred relationship with an HSA custodian, there's no requirement to choose that custodian. In fact, as employers increasingly appreciate HSAs as a valuable financial services product for their employees, they are more likely to consider contracting with a financial services provider rather than a health plan insurer for services.¹⁰

Considerations in choosing the right HSA include:

- **An HSA custodian with a high interest rate and a low- or no-fee structure.** Some HSA custodians charge account holder setup fees, monthly maintenance fees, paper statement fees and various other fees associated with a standard checking account
- **An HSA custodian that provides your employees with easy access to their HSA funds.** Make sure the custodian enables employees to make transactions via checks, debit cards and online bill pay
- **An HSA custodian provides customer service for its product** with a dedicated team of HSA specialists and a toll-free help center for your employees to call

To learn more, download the complete white paper, "Is an HDHP/HSA the right prescription for your company?", at no charge from www.alliantbenefitsolutions.com

1. C. William Sharon, AON Consulting/ISCEBS survey, October 2008 2. International Foundation of Employee Benefit Plans, "Health Care Plans: Impact of the Financial Crisis," 2009 3. 2009 annual census by America's Health Insurance Plans, published May 13, 2009 4. Kaiser Family Foundation and Health Research Education Trust, "Employer Health Benefits 2008 Annual Survey" 5. Diamond, "Diamond Management & Technology Consultants Issues Updated HSA Estimates," January 7, 2009 6. Joe Williams, business development manager for BayBenefits Insurance Services 7. *Kiplinger Letter*, May 15, 2009 8. Guardian Life Insurance, "Benefits & Behavior: Spotlight on Consumer-Driven Health Care," 2008 9. Alibaba.com, "Getting personal: HSAs role could diminish under Democrats," November 9, 2008 10. "HSA Prognosis – Employers have choices," by Tom Hricik, Buck Consultants, 2006

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