Fidelity Benefits Consulting

When is the best time to promote HSAs? Right now.

In the first of our two part series, we provide some tips to use the annual enrollment window wisely.

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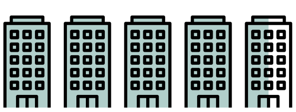
What's Inside

While Health Savings Account (HSA)-eligible health plans are more common than ever with employers, employee adoption is still low. Educating your employees on how the health plan and HSA work together is essential to help your organization boost adoption. It takes the right approach and a firm commitment to increase enrollment year over year.

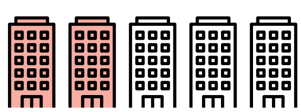
Let's assume you already have a good foundation with a well-thought-out plan design and contribution strategy that considers employer seed money to the HSA, and employee total out-of-pocket costs. For example, an HSA-eligible health plan can be a more attractive choice to employees when the plan has lower premiums and an employer seed to the HSA versus other medical plan options — but only if your employees understand the value of that choice. That understanding depends largely on boosting their comfort and confidence.

90%



large employers offer at least one consumer-directed health plan.

39%



offer only these plans.[1]

What's behind that door?

According to experts, the biggest obstacle to employee engagement is the fear of change. People are afraid of what they don't know. Margaret King, director of a Philadelphia-based think tank says: "One of the most de-motivating things for human beings is uncertainty, and we avoid it at all costs."[2]

Fidelity research supports that employee uncertainty is a barrier to adoption. 32% of people we surveyed who had the option to enroll in an HSA-eligible plan didn't because they were "more comfortable" with their existing plan. Additionally, plan satisfaction jumps up 20% -- much higher than for traditional plans after the first year which tends to be most daunting. [3]

Tip: ***Know what you are up against, and be patient with your employees.***

Understanding of HSAs still elusive

With HSA-eligible plans, popularity doesn't equal familiarity. More employer education is needed, and the best time is now.

If "timing is everything," the time is right now

Your employees have a lot of information coming at them every day and it can be tough to compete for their attention. That's why we urge you to take advantage of the time period that tends to grab your employees' attention: the run up to annual enrollment. Employees know it's coming.

Education is key to helping employees overcome their fear of thinking it's safer to maintain the status quo. The right education at the right time can make a difference for your late adopters.

Tip: ***Take advantage of your upcoming annual enrollment opportunity to educate employees.***

Keep it VERY simple

While people may think they understand HSAs, many are still confused about some of the key features. A Fidelity survey found that nearly half of participants don't understand how an HSA works.[4] Address employee misconceptions head on. Employees can get HSAs and flexible spending accounts (FSAs) confused. Remind them that unlike FSAs, they never lose the money in their HSA.

Watch the terminology you use during annual enrollment. "High-deductible health plan" may put employees off at the start. Consider alternatives such as the "ABC Company HSA-Eligible Plan" instead.

And don't ignore the elephant in the room: the deductible. While many people fear the cost of a higher deductible with an HSA-eligible plan, they may not realize some of the benefits:

They will pay less in monthly premiums on an ongoing basis

They may receive an employer contribution

They will enjoy triple tax advantages within the HSA

(contributions are not taxed, funds grow tax-free, and withdrawals for qualified medical expenses are also tax-free).[5]

Also, many people fail to see the bigger picture and underestimate how much money they will need for health care in the future. For example, 44% think they'll need less than $50,000 for healthcare expenses in retirement.[4] The reality? Fidelity estimates that a couple retiring today at age 65 will spend up to $280,000 on health care in retirement.[6]

Acknowledge employee concerns, and reassure them that others have them too. Our research shows that 8 in 10 people are satisfied with their HSA-eligible health plan overall.[4]

Tip: ***HSA-eligible plans can be complex for employees to understand. Simple, fact-based messages work best.***

Use this time well. Let us know how we can help.

In our next article, we'll explore specific messages to help your employees better understand the HSA-eligible option. To learn more about this topic, please contact your Fidelity relationship manager or email the Fidelity Benefits Consulting group at **FidelityBenefitsConsulting@fmr.com**.

[1]2018 Large Employers' Health Care Strategy and Plan Design Survey, National Business Group on Health

[2]Copeland, Libby, "Why are we afraid of change? The science of uncertainty." Unstuck, 2018

[3]Fidelity Investments 2018 Health Insurance Plan and HSA Survey of 2,920 adults in employer sponsored health plans. The survey was conducted in May 2018 by Greenwald and Associates Inc., an independent third-party research firm.

[4]Except where noted, this presents the findings of an online survey conducted among a demographically representative U.S. sample consisting of 5,133 adults, 18 years of age and older. Interviewing for this CARAVAN® Survey was completed Dec. 9-21, 2016, by ORC International, which is not affiliated with Fidelity Investments. 1,309 respondents enrolled in an HSA-eligible health care plan were included in the analysis. The results of this survey may not be representative of all adults meeting the same criteria as those surveyed for this study.

[5]With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. Please consult with your tax advisor regarding your specific situation.

[6]Estimate based on a hypothetical couple retiring in 2018, 65 years-old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates with Mortality Improvements Scale MP-2016. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes: cost basis is assumed to equal market value. Estimate is calculated as the assets required today in a taxable account with an effective tax in retirement of 5%, an asset allocation of 30% equity, 50% bonds, and 20% cash, such that there is a 90% chance of being able to pay for healthcare expenses through life expectancy. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services, and long-term care.