



# HSA Success

A Plan Review Guide





## Best Practices in Action

With health care costs continuing to rise, more employers than ever are looking for ways to lower the cost of providing benefits while still offering quality health care solutions to employees and their families.

To meet this need, employers are increasingly turning to consumer-directed health care (CDHC) plans. With these plans, an employee pays their out-of-pocket expenses from a tax-advantaged health account, known as a Health Savings Account (HSA). An HSA is the fastest-growing type of health account.

**More than half of all employers offer CDHC plans. Within five years, approximately 75% will offer CDHC plans.  
The number of HSAs is growing approximately 30% each year.**



Positive results that occur when employees open an HSA.\*  
Following Best Practices has proven to increase HSA participation.

\* EBRI/MGA. Consumer Engagement in Health Care Survey.

### About this guide:

We have helped thousands of employers make the transition to HSA-eligible plans and we can help you. Drawing from our expertise, and using shared knowledge and interviews with employers like you, we have created a guide to help you make your transition to an HSA-eligible health plan more successful. We've captured these key learnings and called them our "Best Practices." By implementing them you can greatly increase your chances for successful CDHC adoption and engagement among your employees.

### How to use this guide

Whether you are new to CDHC plans or have been offering them for years, take a few minutes to review our Best Practices recommendations. After reviewing each section of the HSA Success Guide with your OptumHealth Representative and your broker or consultant, develop a plan that implements Best Practices.

# Introduction and Key Considerations

As an employer, there are many reasons for you to offer an HSA-eligible health plan. It may be a means to control escalating health care costs or even simply to introduce the concept of health care consumerism to your employees.

Just as the reasons vary, your approach to introducing an HSA-eligible plan can vary too. Which is why, before rolling out an HSA-eligible plan, it is important for you to take into account some key considerations to ensure that you are creating an approach that will meet your company's objectives and the unique needs of your average employee population. Here are some factors that you as an employer should consider as you decide to offer CDHC.

## Considerations for your company

- Financial objectives, for both the company and employees
- Company culture and diversity
- Geographic locations
- Health plan enrollment goals

## Considerations for your employees

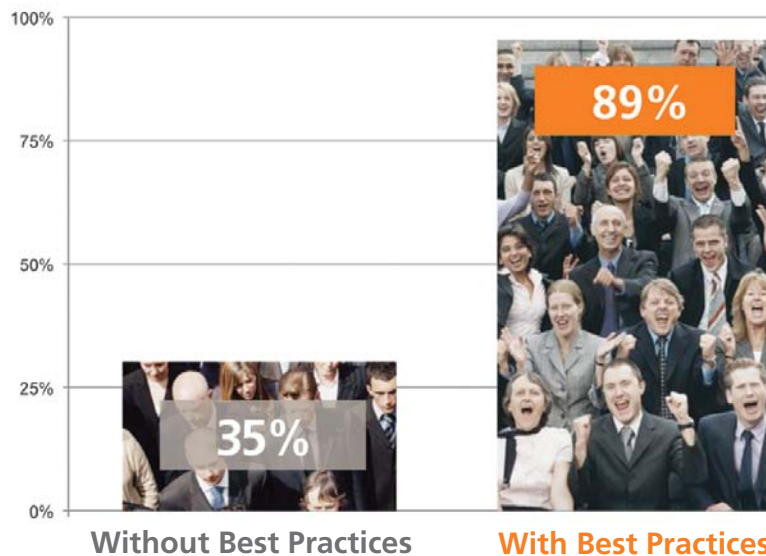
- Perception that the move to an HSA-eligible health plan is purely a cost-savings measure
- Willingness to engage in addressing their own health care needs
- Giving them control over their health care dollars

## Different populations often require different adoption tactics and communication programs.

Consider how you will communicate with employees who are:

- In distribution centers
- Field employees
- Telecommuters
- Exempt vs. non-exempt
- Part-timers
- Union members

## Employee Participation



Customers following Best Practices typically saw over 89% participation. Those who did not, on average, found that only 35% opened an HSA.

\* "Health Savings Accounts: A year-long look at adoption, usage and funding patterns" and OptumHealth Financial Services Saver/Spender Analysis, April 2011.

# Best Practices At-A-Glance

To make implementing our best practices easy for you and your company, we have organized our learnings into four simple steps that encompass a year-round approach to HSA success.

## 1. Plan

- A. Understand that success takes time
- B. Limit plan choice
- C. The benefits team cannot do it alone

## 2. Motivate

- A. Contribute to the account
- B. Allow pre-tax payroll deductions
- C. Encourage senior leaders to “walk the walk”

## 3. Show & Tell

- A. Direct employees to use savings on monthly premiums to build the balance of their HSA
- B. Present “People Like Me” stories

## 4. Engage

- A. Educate and guide employees throughout the year
- B. Communicate in many ways

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**TIP** When educating employees about the value of an HSA it is important to start with a high-level view. Then, as employees begin to understand HSA basics, you can start introducing more details about the account. The important thing is not to overload them with information.

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## Setting Your Goals

As with anything, it is important to set real goals, identify milestones and then put them in writing. In the case of building a successful HSA program, we recommend that you consider setting goals on the number of employees you would like to select the CDHC plan, as well as open and fund their HSA. That way you will be able to see if your approach is working and you will have the opportunity to adjust your strategy to meet those goals.

Program adoption statistics can help guide the way. Below are guides that you may use to measure the success of your organization's HSA plan. Insert your performance goals in each category, then compare it to the average employer.

	Your Organization	Average Employer
<b>% of Employees electing CDHC plan</b>		Average employee enrollment rate in a CDHC plan is 15%*
<b>% of Employees opening HSAs</b>		89% when employer funds; 35% otherwise**
<b>% of Employees contributing to their accounts</b>		59% of employees contribute to their account***
<b>Average Annual Employee Contribution</b>		\$1,075 is the average annual employee contribution***

\* 16th Annual Towers Watson/National Business Group on Health Survey, 2011.

\*\* "Health Savings Accounts: A year-long look at adoption, usage and funding patterns."

\*\*\* OptumHealth Financial Services Saver/Spender Analysis, April 2011.



# Plan

## A. Understand that success takes time

Successful adoption of an HSA program requires giving your employees enough time to absorb the information and talk about the HSA plan with their colleagues, families and friends. Begin education on the new plan even before open enrollment begins, to make HSAs easy and understandable for your employees. Consumer surveys show that satisfaction continues to rise as employees use their HSAs and see their balances grow.

### Best practice recommendations

- Before launching a CDHC plan to your employees, it is important to start thinking about your approach a few months in advance. That way you can lessen your workload and be prepared for open enrollment. Ideally, you would begin simple education about HSAs, communicating with employees at least 2 to 4 weeks in advance of open enrollment.
- Allow enough time to implement your HSA-eligible health plan: for large companies, at least 6 to 9 months; for mid-size companies, at least 3 to 6 months.
- To gain new enrollees in the HSA-eligible health plan, re-introduce the HSA each year with the same emphasis on education and communication.
  - » Start with simple education about the features and benefits of the HSA over traditional health plans—in late summer or early fall.
  - » Move to greater detail on how to use the HSA—such as account requirements and limitations, or calculators to estimate tax savings—closer to the timing of annual open enrollment.
  - » Shortly after the plan year begins, move to the specific features of the account—including the day-to-day transactional activities such as online bill pay and eContribute.
- Maintain an area on your intranet or other common area so that employees can learn how to plan, save and pay for health care with their HSA on their own time.

**Our HSA resources make communicating with your employees easy and effective.**



### Best Practices in Action

A 300-person manufacturer was experiencing rapidly escalating health care costs, including a 19% one-year increase in their health plan premiums. The organization elected to move to full-replacement CDHC. To build employee trust in Consumer-Directed Health Care, they spent three months creating a well-thought-out communications plan.

They started with the CEO's quarterly "State of the Company" address to help employees understand the reason for the new direction. They then held "on the clock" meetings to introduce the concept of CDHC, without going into specific plan designs. This was followed by a newsletter that included Frequently Asked Questions. Finally, they showed the exact savings of the plan at the Open Enrollment meetings, which were again offered "on the clock."

As a result, they saw 99% of their CDHC members open an HSA, and their employee balances were significantly higher than average.

## B. Limit plan choice

Ideally, you should consider limiting your plan choices as part of your plan design process. When doing so you should also eliminate a popular plan. The truth is, employees tend to stay in the same plan without a compelling reason to change. It is human nature. By reducing the choice of plans being offered and eliminating a popular plan, employees are far more likely to be compelled to make an active choice and change to a CDHC plan.

### Best practice recommendations

- Offer a total of **three or fewer** plan choices by eliminating a popular plan.
- Require active enrollment to help employees make a choice.
- Set the HSA plan deductible high enough to avoid needing to raise it the following plan year to meet the HSA-eligible plan minimum.
- Offer your HSA plan at substantial premium savings from the other plans you offer.

## C. The benefits team cannot do it alone

The benefits team is often too small to conduct the full rollout of an HSA-eligible plan on their own. Successful plans engage all of human resources and key employees.

### Best practice recommendations

- Benefits groups cannot go to every site, so utilize all of the company's HR staff, including generalists and call centers. This is especially important for companies with multiple sites or locations.
- Use onsite training to build the HR team's interest in learning and understanding HSA-eligible health plans. If that is not possible, Webinars serve as a good alternative to make sure employees are familiar with consumer-directed health care.
- Encourage benefits leaders to own an HSA so they have firsthand knowledge of how it works.

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## Best Practices in Action

A 480-person company with six locations was moving to a full-replacement HSA-eligible plan. The benefits team at headquarters needed help to communicate the plan and build engagement in the field. To recruit extra help they brought human resources people who worked in other locations, and were not necessarily involved in benefits administration, to their headquarters for a detailed overview of the new benefits plan. In the rollout, executives visited each location, partnering with the human resources generalists that they had recruited to help communicate the plan. This allowed them to provide thorough, local communications to all six locations, even though they had only a two-person benefits staff.



# Motivate

## A. Contribute to the account

Employer contributions motivate employees to contribute their own funds, giving you a head start with your move to CDHC. Recognize that if you cannot make large contributions, even small contributions motivate employees to open and fund their HSAs.

### Best practice recommendations

- Pay account fees for employees to encourage them to open and keep their accounts active.
- The simple fact is, the more the employer contributes, the more employees contribute, and even small contributions have an impact. Our research shows that employers contributing just 30% to 50% of the deductible leads to employee contributions nearly 3 times higher than if no contribution at all is given by the employer.\*\*
- In turn, higher employee pre-tax contributions ultimately lead to meaningful pre-tax savings for employers on their overall payroll spend.

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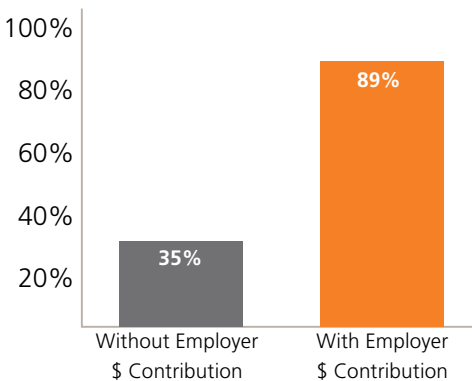
**TIP** Consider a slight increase to the employees' premium contribution in order to fund the account. You'll be rewarded with significant FICA tax savings through higher employee funding.

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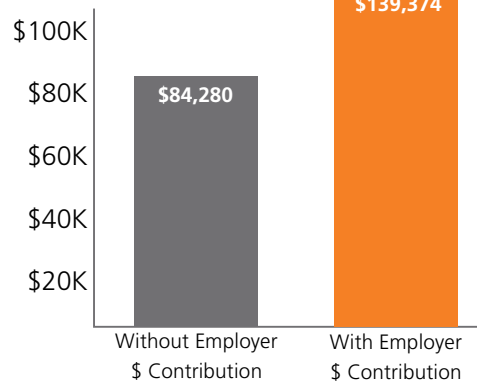
### There are many creative ways employers can arrange their contributions:

- In your employees' first plan year, make up-front, lump-sum deposits at the beginning of the plan year to help employees meet large health expenses before they've had the opportunity to build up an HSA balance.
- Consider matching employee HSA contributions, similar to a 401(K), to encourage regular contributions.
- Make your full contribution contingent on the employees' contributions of \$100 per month for individuals and \$200 per month for a family.

**Total Employee Enrollment \***



**Total Employee \$ Contribution \*\***



**The more the employer contributes, the more employees participate. This greatly increases payroll tax savings for both the employer and employees.**

\* "Health Savings Accounts: A year-long look at adoption, usage and funding patterns."

\*\* OptumHealth Financial Services Saver/Spender Analysis. January 2011. Per 100 employees enrolled in an HSA-eligible CDHC (National Mature Accounts).

## B. Allow pre-tax payroll deductions

Offer your employees the option to contribute to their HSA through pre-tax payroll deduction. It is an effortless way to get your employees contributing to their HSA. And, pre-tax payroll contributions provide immediate income and FICA tax savings to your employees while reducing your payroll tax.

Companies who do not allow payroll deduction typically see only 10% to 15% of employees contribute to their HSA, leaving their account balances far short of their deductible.

### Best practice recommendations

- Facilitate pre-tax employee contributions through direct deposit.
- Consider making your contribution contingent on employees funding at least a base amount, such as \$100, into their account.

## C. Encourage senior leaders to “walk the walk”

For successful adoption and increased enrollment in the HSA-eligible health plan, support for your HSA-eligible plan needs to be visible throughout your organization. Take a waterfall approach, starting at the top and moving downward.

### Best practice recommendations

- Encourage executives to choose a high-deductible CDHC plan for themselves.
- Position your CEOs and other visible senior executives front and center and prepare them to participate in the plan rollout and discuss the reasons for the move to an HSA-eligible plan.
- Encourage senior leaders and managers to share examples of how they stretch their health care dollars by purchasing generic over brand name prescriptions, or using a walk-in clinic versus an emergency room.
- Hold mandatory enrollment meetings “on the clock” and have senior leaders attend.
  - » Encourage leaders to show employees their own OptumHealth Health Savings Account Debit MasterCard® card to demonstrate the convenience of paying medical bills with an HSA.

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## Best Practices in Action

A national retail chain felt their headquarters staff could benefit from an HSA-eligible plan. To spread the word, the HR leader sat down one-on-one with the corporate senior leaders, explained the HSA medical plan and account, and asked the leaders to personally sign up for the plan. Once engaged, the leadership communicated it to their staff, and the company saw 96% of their staff open the HSA. This word-of-mouth campaign had such impact that two years later, manager recommendations remained a key motivator in new employees selecting the HSA-eligible health plan.

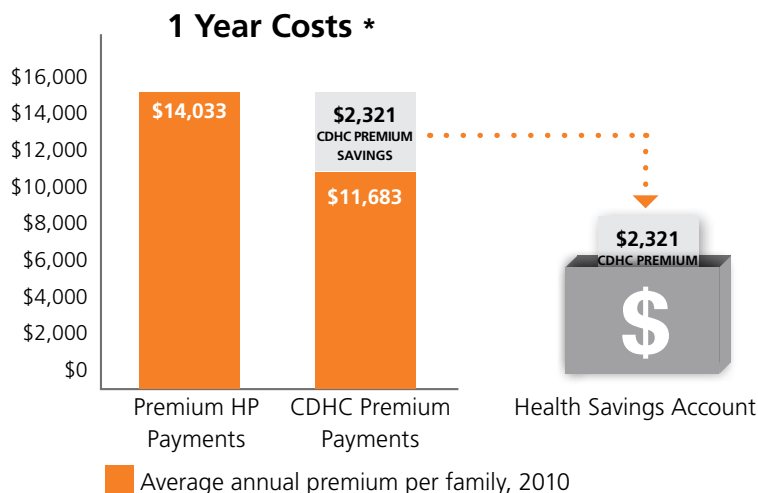
## Show & Tell

### A. Direct employees to use savings on monthly premiums to build the balance of their HSA

When employees are moving to an HSA-eligible plan, their monthly premiums are generally lower than what they were previously paying on a traditional plan. Encourage employees to reallocate the premium difference toward their HSA. This can help balances grow quickly and protect employees if a medical need arises.

#### Best practice recommendations

- Talk about “making HSA deposits” and explain/show how an HSA accumulates real savings for the account holder over time. The money is **theirs** alone and they can use it to spend or save.
- Make the story personal and something they can relate to their own financial situation and see how their money/savings can potentially build over time.



**TIP** Show a side-by-side comparison of your health plan options, so your employees can see the differences in premiums between their plan options. Then, recommend that they reallocate the CDHC premium savings to their HSA.

**Family plans cost an average of \$2,321 less in annual premiums with a CDHC. That's money that could be used to fund their HSA and build the account balance.**

\* The Kaiser Family Foundation and Health Research & Educational Trust 2010 Annual Survey. Employer Health Benefits. 2010

#### Best Practices in Action

One national energy company strongly communicated the need to invest premium savings back into the HSA. At every step, this company reminded employees of the tax savings and the long-term savings potential. They even spoke of it as an additional retirement account. As a result, they saw 93% of employees contribute to their HSA, with an average annual contribution level of \$2,250 (versus a large employer average of 59% contributing an average of \$1,023).

In contrast, another national employer communicated the “cost savings” aspects of their HSA-eligible health plan, with no mention of the importance of personal contributions. As a result, only 16% of employees contributed, with an average contribution level of \$147. You can avoid this mistake by making sure to tell the savings/contributions story.

## B. Present "People Like Me" stories

A highly effective way to get your employees to read benefit materials and increase engagement is to incorporate hypothetical examples of how people like them would use their HSA-eligible plan. These stories explain the experience of evaluating health insurance options and participating in plan benefits through the eyes of individual participants. They help to humanize a process that can often seem technical and complex.

The key is making these stories concise and personally relevant to the employee's own life situation (particularly their age range, income level and family size), and then focusing on a single HSA topic. Common "People Like Me" story examples include: a young, single person; a married couple with children; and married empty-nesters.

You know your employees best, which is why we encourage you to create your own "People Like Me" stories. That way, the stories will be even more relevant to their situation. You can also use one of the many "People Like Me" stories that we have developed based on our customers' experiences using an HSA. Below are 3 examples.

The image shows three overlapping informational cards from Optum Health Bank, each illustrating a different HSA benefit scenario for a "People Like Me" character.

**Card 1: Steve saves for health care.**  
 Steve's HSA deposits are easy to make and tax deductible. This year, Steve plans to make bi-weekly contributions to his health savings account (HSA) from OptumHealth Bank™, Member FDC. The maximum allowed for 2012 is \$6,240. In 2013, this amount increases to \$6,450.

	Bi-weekly amount	Annual total (26 contributions)
HSA contributions	\$240	\$6,240
Income tax savings (25% federal, 1% state)	\$72	\$1,872

He withdraws money from his HSA income tax free to pay for his medical expenses. Steve withdraws \$3,000 from his HSA to pay for his family's qualified health expenses this year. Expenses include trips to urgent care, prescriptions, medical specialists and dental care.

Steve's account balance grows. After Steve pays \$3,000 in qualified health care expenses, he has \$3,240 in his HSA from his annual \$6,240 contribution. He keeps this money in for the future. Over time, this can really add up.

Steve's HSA net savings\*

Year	1 Year	3 Years	5 Years
Net Savings	\$3,240	\$16,200	\$48,600

\*Calculations assume an annual net savings of \$3,240 every year.

**Card 2: Molly pays for a doctor visit.**  
 Molly visits the doctor before she has met her health plan deductible. Early in the year, Molly visits the doctor. She presents her health plan member ID card to the doctor's office. Molly has no co-pay, so she pays nothing at the time of the doctor's visit. The doctor prescribes her a generic medication – which helps save her money.

Molly fills her prescription. Molly visits the pharmacy and shows her member ID card so the claim will go toward her deductible. She pays for the prescription in full, at the network drug rate, using her Health Savings Account (HSA) Debit MasterCard®.

Her doctor submits a claim to the health care plan. Molly's out-of-pocket medical expenses haven't reached her deductible yet. The health plan notifies the doctor that Molly is responsible for paying for her visit. The doctor sends Molly a bill, charging a rate that he and the health plan have agreed to charge plan members like Molly.

Molly receives and pays her doctor's bill. She checks the explanation of benefits on her health plan's web site to make it amount billed matches what the health plan says she owes. She checks to make she has enough funds in her HSA to pay the bill from her account. Then she pays the doctor using online bill pay from OptumHealth Bank™, Member FDC.

She keeps her receipts. Molly saves her receipts for HSA-qualified expenses. She'll keep them in the event of an IRS audit.

**Card 3: Joanne saves on income taxes.**  
 Joanne funds her HSA with pre-tax dollars. Joanne funds her HSA through OptumHealth Bank™, Member FDC. She authorizes her employer to deduct \$100 per paycheck (a total of \$2,600 a year) before taxes, and deposit the funds into her account. This reduces the amount of income taxes she pays.

	Bi-weekly amount	Annual total (26 contributions)
HSA contributions	\$100	\$2,600

Joanne saves on federal, state and payroll taxes. Federal income taxes: Joanne is in the 25 percent federal tax bracket. For each \$100 deposited into her HSA, she saves \$25.

Payroll taxes: By reducing her taxable income, Joanne also saves \$5.65 on payroll taxes for every \$100 deposited into her HSA. The payroll tax (to fund Social Security and Medicare) in 2011 and 2012, the FICA tax was reduced from 7.65 percent to 6.55 percent.

State income taxes: She lives in Utah, one of 47 states that do not tax HSA deposits. Utah's income tax rate is 5 percent, so she saves another \$5 for every \$100 she deposits.

Total tax savings \$927

Category	Amount
Federal tax	\$650
Payroll tax	\$147
State tax	\$130
<b>Total tax savings</b>	<b>\$927</b>

\*No savings calculated for 2012. Federal tax at 25% state tax rate at 5.00% FICA tax at 7.65%.

Joanne is always thinking about the future. She has a HSA that she uses to plan, save and pay for qualified health care expenses.

Health Asset Planning

Visit [optumhealthbank.com](http://optumhealthbank.com) to learn more about paying for qualified health care with an HSA.

# Engage

## A. Educate and guide employees throughout the year

Instead of treating enrollment as a one-and-done, it is critical to help your employees through the transition and to keep encouraging them to contribute to their account. There is a natural dip in satisfaction that occurs as your employees go through the transition to any new benefits plan. This dip corrects itself as employees become accustomed to and build the balance of an HSA. What we do know is that your employees become more active, satisfied health care consumers when they have year-round access to tools and educational resources.

### Reinforce these points to employees

#### An HSA-eligible health plan:

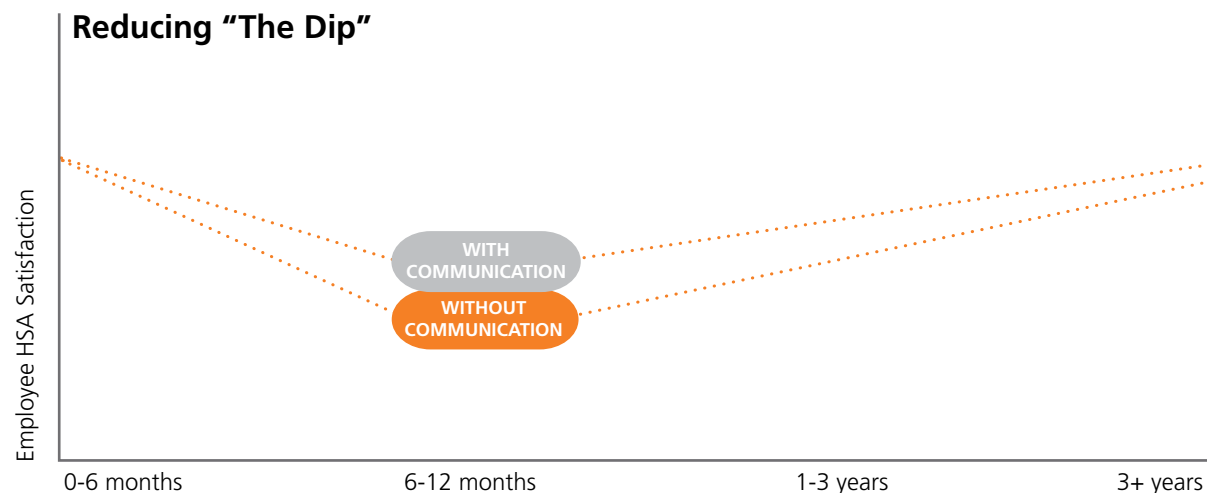
- Saves money with lower premiums and lower taxes.
- Helps employees make smart decisions about their health.
- Is a financial incentive—like a 401(k) for their health.
- The money belongs to the employees and can be carried over from year to year.

### Best practice recommendations

- Guide employees to open and fund their HSA immediately.
- Reinforce the importance of making deposits into their account and the benefits of letting the funds grow for future health care costs.

#### Communicate with employees at specific points in the account holder life cycle:

- Timing is everything. Sequence communication. Start with high-level information on HSAs and move to the details over time.
- A month before the plan year begins, let them know what's happening and when they will get their card and account materials.
- At mid-year, remind them of the benefits of the account and answer questions employees may have after they begin to use their Optum account.



**We have learned that the most successful companies anticipate “The Dip” and address it by regularly communicating with their employees.**

## B. Communicate in many ways

Use multiple media to reach your employees. These can include emails, print materials, Webinars, or in-person meetings. By using various communication vehicles to reinforce HSA messaging throughout the year, you encourage your employees to take charge of their own wellness, negotiate with providers, and even choose lower-cost alternatives. Do not forget about sending messages home—remember, spouses are frequently the health care decision-maker. The more they understand their HSA-eligible plan, the more employees will enroll and re-enroll.

### Best practice recommendations

- Provide a one-page comparison of plan offerings and premiums.
- Dedicate space on the company intranet for benefits choices and education.
- Direct employees to self-guided training, so they can learn on their own time.
- Mail or distribute paper educational materials for in-home review with the family's health care decision-maker.
- Post information on password-protected Web pages for in-home review or create a special pre-member Web site.
- Distribute materials year-round, not just at open enrollment.

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**TIP** For your married employees, get the “Chief Benefits Officer” involved. Sometimes the spouse can serve as a “Chief Benefits Officer” for the family. It is important to keep them informed as well, so printed materials that can be sent home are ideal; 24/7 online access to resources is also a best practice.

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**Ask your OptumHealth Representative and your broker or consultant about the OptumHealth Health Accounts Education Suite and Calendar to help in planning for your HSA communication needs. Based on our industry experience combined with education success stories that our customers have shared with us, one thing is certain: HSA education works!**



# Links and Resources

Quick links to the resources and tools you need

## Best practice recommendations

Use our robust and comprehensive employer portal to access all the tools and resources you will need to make your plan a success.



## HSA Communication Calendar

Health Savings Account (HSA) Holder Communications		OPTUMHealth Bank <sup>™</sup> Communication Calendar											
Assumes a January 1 plan year effective date													
		IS SHIPPED OUT AN EXERCISE OPTION											
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
WELCOME MAILINGS	Welcome Kit	Yes											
	Welcome Email	Yes											
	OptumHealth Bank <sup>™</sup> HSA Debit/Medical Card Mailing	Yes											
	HSA Debit Card PIN Mailing	Yes											
	Account Options Letter	Yes											
STANDARD BANK COMMUNICATIONS	1099SA Tax Form	Yes											
	5498-SAs Form	Yes											
	Annual Privacy Notice and Change in Terms	Yes											
	Health Savings News	Yes											
BANK	Bank Statement Messages	Yes											
	Account Holder Satisfaction Survey	Yes											
HSA ENGAGEMENT PROGRAMS	"Open Your HSA" Campaign	Yes											
	"Fund Your HSA, Make a Deposit" Campaign	Yes											
	"Fund Your HSA, Payroll Contribution" Campaign	Yes											
	"Fund Your HSA, Catch-up Contribution" Campaign	Yes											
	"Fund Your HSA, Tax-Free Withdrawal" Campaign	Yes											
	"Reopen Your HSA to OptumHealth Bank" Campaign	Yes											
"Four OptumHealth Bank HSA Has an Investment Feature" Campaign	Yes												
"Relax Your HSA with OptumHealth Bank" Campaign	Yes												

## Next Steps

### We are here to help

For questions about best practices, contact your broker or call your OptumHealth Financial Services Representative.

### Thank you

OptumHealth Financial Services<sup>SM</sup> established OptumHealth Bank in 2002 to deliver financial solutions specifically for health care. It is our specialized expertise, commitment and investment in HSA administration that makes us the first choice for thousands of employers of all sizes.

We hope you have found this guide useful. We encourage you to contact your OptumHealth Representative or broker to get started planning your approach to HSAs and CDHC. Together, we can design a comprehensive action plan to help increase enrollment in your HSA plan.

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### Did You Know?

We hold over 850,000 individual accounts and are trusted with more than \$1 billion in health care assets.

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Note: HSAs were created by the federal government. States can choose to follow the federal tax treatment guidelines or establish their own. Some states have chosen to tax HSA contributions. Individual employees should consult a financial advisor or their state department of revenue for more information.

Health savings accounts (HSAs) are individual accounts offered by OptumHealth Bank<sup>SM</sup>, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment and restrictions. Federal and state laws and regulations are subject to change.

Hypothetical examples are offered for illustrative purposes only. Individual results may vary.

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