PAYFLEX®

Wisely timed employer contributions translate into **$8.6 million in savings** for employers

HDHPs and HSAs are on the rise

It's no surprise that employers are continuing to adopt high-deductible health plans (HDHPs) given how much they reduce health care costs. Companies have largely opted to offer an HDHP paired with a health savings account (HSA) as a key strategy to balance lower medical trend with maintaining or improving quality health care.

According to recent research by Aetna, employers who offered HDHPs with HSAs had an average annual trend that was 1.8 percentage points lower than that of a comparison group over a five-year period. These trend comparisons suggest that an employer could save $8.6 million per 10,000 members over a five-year period. This is relative to an employer offering a traditional preferred provider organization (PPO) plan.[1]

The number of employers adopting HDHPs coupled with HSAs continues to rise. In 2016, 24 percent of employers offered this combination of plans.[2] This is a 4 percent increase from 2015. By engaging employees directly in the financial impact of their health care decisions, employers hope to create a health- and cost-conscious workforce.

And with the cost of health care in retirement continuing to rise to an estimated $275,000 for a couple retiring in 2016,[3] an HSA makes sense to many consumers.

However, simply offering an HDHP with an HSA does not guarantee employee adoption and engagement. The good news is that there are several strategies to overcome these challenges. The strongest engagement lever with HDHPs/HSAs is employer contributions. We decided to see just how big an impact this component can have as well as how other details, such as timing of contributions, affected the way consumers use their accounts.

[1] Aetna. Twelfth Annual Aetna HealthFund Study. June 2017.

[2] The Henry J. Kaiser Family Foundation. 2016 Employer Health Benefits Survey. September 2016.

[3] Fidelity. Retiree Health Care Cost Estimate. August 24, 2017.

[4] Source for the denominator: Worldometers. Available at: worldometers.info/world-population/us-population. The U.S. population is 325,642,556 as of February 23, 2017. Source for the numerator: Devenir Research. 2016 Midyear HSA Market Statistics & Trends. August 16, 2016. The number of HSA account holders projected by the end of 2018 = 27M (325M/27M = 1 in 12).

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Employer contributions make a difference

In 2016, 26 percent of all HSA dollars contributed to an account came from employers. And the average employer contribution was $868 (for those making contributions).[5]

We know that money talks and employer contributions drive adoption. But by how much? We conducted a study of our book of business and found the following insights:

1 **Employer contributions affect adoption.** When an employer contributes to an HSA,

INDIVIDUALS ARE

2.6x

more likely

to select an HSA-qualified plan over other plan offerings.

EMPLOYEES ARE

50%

more likely

to open an HSA.[6]

2 **Timing of contributions affects behavior.** The timing of employer contributions affects how employees treat their health care account. Employees treat their HSA more like a savings account when they receive their funds at the start of the year. On the other hand, if they receive employer contributions throughout the year, employees tend to treat their account like a spending account.

Timing matters

Employers that fund at the beginning of the plan year see the most growth in the number of employees who invest their HSA dollars.

Our theory is that when employees receive contributions throughout the year, they use their HSA more like an FSA. On the other hand, a lump sum contribution drives employees to use their HSA as a savings vehicle. What our study showed is that there was a 64 percent year-over-year (2015 to 2016) increase in spending for those members who received contributions throughout the year.

This theory is consistent with prior consumer research we conducted in September 2016, where many consumers told us they are living from paycheck to paycheck. This research confirms why 24 percent of all HSA consumers are considered to be savers, and 67 percent are considered to be spenders.[7]

[5] Devenir Research. 2016 Year-End Devenir HSA Research Report. February 2017.

[6] 2017 study of Aetna and PayFlex combined data, including 49 total employers representing 339,000 individuals.

[7] Devenir Research. 2016 Year-End Devenir HSA Research Report. February 2017.

Employee contributions

Went up 5.3 percent year over year when employers contributed to accounts. In contrast, employee contributions went down 3.9 percent when employers didn't contribute.

3 **Behavior affects investment mindset.** Our study showed that when employers fund HSA contributions at the start of the year, we saw almost 97 percent growth in the number of employees investing year over year (2015 to 2016) versus only 66 percent growth for those receiving contributions periodically throughout the year. Furthermore, employees invested 10 percent more than those who received contributions throughout the year, with an average investment of $3,327.

It seems that when employees receive employer contributions more frequently, they spend the money because they know there is more to come. But when employees get a lump sum, they tend to save it and budget for a disaster. And if that disaster doesn't happen, then they can sit back and relax. And as they relax, they become more open to considering strategies to help their savings grow, like contributing more and even investing those funds.

For a consultative discussion,
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