Introducing a health savings account to your employees

A best practices communication guide
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 health care solutions to employees and their families. To meet this need, employers are increasingly turning to consumer-driven health (CDH) plans. With these plans, an employee can pay out-of-pocket expenses from a tax-advantaged health account, such as a health savings account (HSA). An HSA is the fastest-growing type of health account.

About this guide
OptumHealth Financial Services applies the best thinking in financial services to the challenges facing health care and includes OptumHealth Bank, Member FDIC. OptumHealth Bank is dedicated to providing products and services that help people plan, save and pay for health care costs. As a leading custodian of HSAs with nearly 600,000 accounts, they have helped thousands of employers make the transition to HSA-eligible plans. OptumHealth and UnitedHealthcare are divisions of UnitedHealth Group.

This guide draws from OptumHealth Bank’s expertise, using shared knowledge and interviews with employers like you, to create a guide to help you make your transition to an HSA-eligible health plan more successful. By implementing these key learnings, you may greatly increase your chances for successful CDH adoption and engagement among your employees.

How to use this guide
Whether you are new to consumer-driven health plans or have been offering them for years, take a few minutes to review the best practices recommendations. After reviewing each section of the guide with your UnitedHealthcare representative and your broker or consultant, develop a plan that implements best practices.

- More than half of all employers offer CDH plans.
- Within five years, approximately 75% will offer CDH plans.
- The number of HSAs is growing approximately 30% each year.
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. 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 needs of your average employee population. Here are some factors that you as an employer should consider as you decide.

**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

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**Employee Participation**

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<th>Without Best Practices</th>
<th>With Best Practices</th>
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**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 yearlong 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

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.
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 CDH 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.

<table>
<thead>
<tr>
<th>Your organization</th>
<th>Average employer</th>
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<tbody>
<tr>
<td>% of employees electing CDH plan</td>
<td>Average employee enrollment rate in a CDH plan is 15%*</td>
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<tr>
<td>% of employees opening HSAs</td>
<td>89% when employer funds: 35% otherwise**</td>
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<td>% of employees contributing to their accounts</td>
<td>59% of employees contribute to their account***</td>
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<tr>
<td>Average annual employee contribution</td>
<td>$1,075 is the average annual employee contribution***</td>
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** “Health Savings Accounts: A year-long look at adoption, usage and funding patterns” April 2011.
*** 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. Educate on the new plan even before open enrollment begins to make HSAs easy and understandable for your employees.

Best practice recommendations
- Before launching a CDH 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 an HSA, 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 (how to pay their portion of the bill, etc.)
- 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.

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 CDH 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-driven health care.

- Encourage benefits leaders to own an HSA so they have firsthand knowledge of how it works.
Motivate

A. Contribute to the account

Employer contributions motivate employees to contribute their own funds, giving you a head start with your move to CDH. This one step can greatly increase your HSA adoption from 35% of your CDH population to 89%.*

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. 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.
  - In some circumstances, an employer might 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.

Contrary to popular belief, the more the employer contributes, the more employees contribute. 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.” April 2011

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.

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 CDH 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.
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 CDH premium savings to their HSA.

Family plans cost an average of $2,321 less in annual premiums with a CDH plan.

That’s money that could be used to fund their HSA and build the account balance.

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. Access these stories via our online toolkit in Employer eServices®. To access it, log in to Employer eServices and click on Resources. Select the link for the Communication Resource Center. Choose Programs and Services and then Consumer-Driven Health Toolkit.

1 Year Costs*

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<tr>
<th>Premium HP Payments</th>
<th>CDH Premium Payments</th>
<th>Health Savings Account</th>
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<td>$14,033</td>
<td>$2,321</td>
<td>$11,693</td>
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* The Kaiser Family Foundation and Health Research & Educational Trust 2010 Annual Survey, Employer Health Benefits, 2010
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 account.

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, the employee may not be 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 website.
- Distribute materials year-round, not just at open enrollment.

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.
Thank you

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

Ask your UnitedHealthcare representative and your broker or consultant about our online CDH Toolkit. It has many educational tools you can use with your employees to help manage the transition to a consumer-driven health plan.

To access it, log in to Employer eServices and click on Resources. Select the link for the Communication Resource Center. Choose Programs and Services and then Consumer-Driven Health Toolkit.

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

These materials are intended to communicate best practices only. Each employer group should make decisions that they feel are best for their specific employees.

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