5 Step Guide to Win Employee Buy-In for Your **HDHP + HSA Plan**

EMPLOYEE HEALTH BENEFITS CAN BE EXPENSIVE.

As an employer, you have likely already discovered that offering a health savings account (HSA)-qualified health plan, when paired with an HSA, can save your company money. And you likely also know that HSAs help employees save money on healthcare expenses now and for retirement. **But do your employees know that?**

You are not alone if you're worried about your employees' response when you announce the company has added HSA-qualified health plans to their benefits package—or even switched completely from a traditional health plan. Employers want their employees to be happy with their health benefits, and that is why you don't need to worry about offering HSA-qualified health plans and HSAs to your employees. These health plans are better for employees—even if they don't know it yet.

An important part of helping your employees transition from traditional health plans is to communicate:

- how HSA-qualified health plans benefit them
- how health saving accounts can help them save money in the short and long term, and
- how employees can start right now to make the most of these health benefits.

When your employees understand how an HSA-qualified health plans and HSAs benefits them, they may be more likely to switch from their traditional health plans.

To help you communicate these benefits to your employees, we created a 5-step communication you can use with your employees.

Tips for success:

Begin the email program 6-8 weeks prior to your open enrollment period, then send one email per week until the program is complete.

Send the emails from a senior leader of your organization rather than a distribution list like the "Human Resources department" or the "benefits team". An email from your CEO, founder, owner, or other senior executive will have better engagement rates.

Have someone from the benefits team available to answer any questions employees may have about the transition. Employees won't want to feel like they're being "left in the dark."

HealthEquity

Below you'll find our 5-step communication plan that will make communicating with your employees easy.

Email #1:
How an HDHP and HSA can benefit employees

Send email 6-8 weeks before open enrollment

Subject:
Improvements are coming to your health insurance benefits

The purpose of this email is to let employees know that you offer HSA-qualified health plans and HSAs and why choosing this option during open enrollment is a good option. Included in this email are two options—one for full-replace (meaning you will only be offering HSA-qualified health plans next year) and one for optional coverage (meaning the employee can choose between a traditional health plan or HSA-qualified health plan).

Full replace paragraph

Optional HDHP paragraph

Dear [Employee name],

The cost of healthcare is rising every year—both in premiums as well as doctor visits and prescription drugs. [Your company's name] is committed to providing quality health benefits to our employees.

Starting next year, we will be offering high-deductible health plans (HDHPs) paired with a health savings account (HSA). We understand that changes to your health insurance can be stressful, but we believe HSA-qualified health plans are a better option and we want to help you understand why.

A high-deductible health plan (HDHP) paired with a health savings account (HSA) is a great alternative to a traditional health plan.

We believe this solution will help you save money on healthcare expenses, both now and in the future. You can even use your health savings account to help save for retirement.

An HSA-qualified health plan offers lower premiums, which means you will save money each month. More importantly, however, switching to an HSA-qualified health plan means you will now be eligible to open a health savings account.

Here are a few benefits you can realize with a health savings account:

- Reduces taxes[1] you pay (look for an email next week elaborating on this benefit)
- All HSA funds (including contributions from us) are yours to keep, even if you switch jobs or retire
- Any unused funds automatically roll over year after year
- An HSA can help you save and invest[2] for retirement

These are just a few of the benefits that will come with an HSA-qualified health plan. Over the next 4 weeks, we will send further emails elaborating on how an HDHP + HSA can benefit you.

If you have questions about the change, please reach out to [name of employee benefit advisor] and she (or he) will be happy to meet with you.

Sincerely,
[Executive's name]

[1] HSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax-free with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

[2] Investments are subject to risk, including the possible loss of the principal invested, and are not FDIC or NCUA insured. Investing may not be suitable for everyone and before making investments, carefully consider the investment objectives, risks, charges and expenses of a fund. Each fund's prospectus contains this and other important information.

Email #2:

Triple-tax savings for your employees

Send email approximately one week after email #1

Subject:

Triple-tax savings coming your way

Tax savings may be the greatest benefit of a health savings account (HSA). But taxes can be confusing and so can tax-advantaged accounts. This second email will provide clarification on the tax savings possible using an HSA.

Important note: HSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax-free with very few exceptions. Your employees may want to consult a tax advisor regarding their state's specific rules.

Dear [Employee name],

Last week we sent an email announcing that we'll offer HSA-qualified health plans and HSAs for the next plan year. One of the best benefits of an HSA are the triple-tax savings they offer.

Triple-tax savings

1. Tax-free[1] contributions: When you contribute to your HSA through payroll deductions, the contribution is made pre-tax. The contribution also lowers your taxable income, which is especially nice when you file your taxes.
2. Tax-free growth: You can grow your HSA funds tax-free in two ways:
   a. Funds in your HSA earn tax-free interest
   b. You can invest[2] your HSA in mutual funds and other investments, and they have potential to grow tax-free.
3. Tax-free spending: When you spend your HSA funds on qualified medical expenses you don't pay taxes on the amount you withdraw.

It's your money

- Unused funds roll over year after year and you don't pay taxes on the amount
- The funds are yours to keep even if you switch jobs, retire or change health plans
- After age 65, if you withdraw HSA funds for any purpose other than qualified medical expenses, you will be subject to income tax. Funds withdrawn for qualified medical expenses will remain tax-free.
- Reimburse yourself for out-of-pocket qualified healthcare expenses from your HSA tax-free

Next week's email will show you how much you could save in your health savings account in the future if you make the most of it.

Sincerely,
[Executive's name]

[1] HSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax-free with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

[2] Investments are subject to risk, including the possible loss of the principal invested, and are not FDIC or NCUA insured. Investing may not be suitable for everyone and before making investments, carefully consider the investment objectives, risks, charges and expenses of a fund. Each fund's prospectus contains this and other important information.

Email #3:
Where could your HSA take you in 10 years?

Send email approximately 1-2 weeks after email #2

It's much easier to think about the "here and now" than it is to think about the future. This is especially true when it comes to saving money. But saving money in a health savings account for the long-term is another benefit your employees could be taking advantage of. This email will show your employees an example of where they can be in 10 years with an HSA-qualified health plan and an HSA.

Dear [Employee name],

A health savings account can be a great way for you to save for the future.

Consider this example:
David and Annie are each 30 years old when they open a family health savings account. For 10 years, they and the company make annual combined contributions to the HSA of $5,000. Every year they also spend $1,000 of their HSA funds. At the end of 10 years, with a rate of return of 7% and an estimated tax rate of 22%, David and Annie would have about $55,265.79 in their HSA. During that time, they would save about $17,270.56 in taxes.

An HSA is not a "use it or lose it" account. Any unused balance you have in your HSA at the end of the year automatically rolls over to the next year. Your HSA funds earn interest, and, if you want, you can even invest[1] HSA funds to potentially maximize your earning potential. Any gains that come from interest or through investing are not taxed.[2]

A health savings account can take you far in 10 years, but just wait until you see where it can take you in retirement. Next week we'll discuss how a health savings account helps you prepare for retirement.

Sincerely,
[Executive's name]

[1] Investments are subject to risk, including the possible loss of the principal invested, and are not FDIC or NCUA insured. Investing may not be suitable for everyone and before making investments, carefully consider the investment objectives, risks, charges and expenses of a fund. Each fund's prospectus contains this and other important information.

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Email #4:

Your HSA can make
your retirement easier

Send email approximately one week after email #3

Subject:

Retirement with a health savings account

When it comes to retirement accounts, a health savings account has no equal. Other retirement accounts—401(k)s, IRAs, etc.—are taxed at some point, either when the funds go into the account or when funds are distributed.

A health savings account is completely tax-free if accountholders use the funds for qualified medical expenses. This email will show your employees the advantages of a health savings account for retirement.

Dear [Employee name],

One of the greatest benefits of an HSA is to help accountholders prepare for retirement. Employee Benefits Research Institute estimates that a couple in retirement will need $301,000 to have a 90% chance of having enough to cover healthcare costs.[1] That number may seem daunting—until you see how an HSA can help. Adding an HSA to your retirement savings strategy can help you save money.

Let's continue with the example of David and Annie from last week:
David and Annie are both 40 years old when they open a family health savings account. For 25 years, they and the company make annual combined contributions to the HSA of $5,000. Every year they also spend $1,000 of their HSA funds. At the end of 25 years (assuming they retire at age 65), with a rate of return of 7% and an estimated tax rate of 22%, David and Annie would have about $252,996.15 in their HSA. During that time, they would save about $79,061.30 in taxes.

In this example, David and Annie have saved almost enough to cover the $301,000 mentioned in Employee Benefit Research Institute report and they're in great shape to cover at least most of their healthcare costs in retirement.[2] However, let's alter the example slightly to show what would happen if David and Annie started even earlier and opened their HSA at 30 years old instead of age 40.

David and Annie are each 30 years old when they open a family health savings account. For 35 years, they and the company make annual combined contributions to the HSA of $5,000. Every year they also spend $1,000 of their HSA funds. At the end of 35 years (assuming they retire at age 65), with a rate of return of 7% and an estimated tax rate of 22%, David and Annie would have about $552,947.51 in their HSA. During that time, they would save about $172,796.10 in taxes.

In this example, David and Annie have saved enough in their HSA to comfortably cover their expected medical costs in retirement. They can even use the extra money to cover other expenses, similar to a 401(k. Withdrawing HSA funds for qualified medical expenses is tax-free,[3] though using those funds for other expenses makes them subject to the same taxes as 401(k disbursements.[2]

Other benefits of health savings accounts for retirement
Those who are 55 and older and have an HSA can also contribute an additional $1,000 above the annual contribution limit. In addition, those 65 and older can spend HSA funds for any reason. If the expense is a qualified medical expense, it is tax free. If it is a non-qualified medical expense, the purchase will be subject to income tax but not a tax penalty.

An HSA paired with a 401(k or other retirement account can give you an excellent chance to be prepared when your retirement comes.

Next week, we will send one more email about how you can get started and make the most of an HSA-qualified health plan.

Sincerely,
[Executive's name]

[1] https://www.ebri.org/content/savings-medicare-beneficiaries-need-for-health-expenses-in-2019

[2] After age 65, if you withdraw funds for any purpose other than qualified medical expenses, you will be subject to income taxes. Funds withdrawn for qualified medical expenses will remain tax-free.

[3] HSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax-free with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

Email #5:

How employees can get started and make the most of high-deductible health plans and HSAs

Send email approximately 1-2 weeks before open enrollment

The purpose of this email is to summarize the previous four emails and help employees get started on opening and taking full advantage of an HDHP+HSA. A health savings account can be a great way for you to save for the future.

Dear [Employee name],

Open enrollment will begin on [date] and last for [#] weeks, ending on [date]. As mentioned in previous emails, we are offering high deductible health plans so you can take advantage of a health savings account (HSA). Your HSA allows you to:

- Take advantage of triple-tax savings[1]
- Reduces taxes you pay[1]
- Keep HSA funds even if you switch jobs or retire
- Roll unused funds over to the next year
- Save and invest[2] for retirement
- And much more

To take advantage of a high deductible health plan and an HSA and start saving for the future, please follow the instructions below.

[Insert your company's specific instructions on how to sign up for an HDHP and HSA.]

If you have any questions or concerns, please contact [name and contact information for your company's employee benefit advisor or HR department].

Sincerely,
[Your company name]

An HSA-qualified health plan, when paired with an HSA, is a great way for both you and your employees to save money. Communicating health plan changes to employees can be difficult—especially if they haven't yet learned about the benefits of a health savings account—but communicating the "why" and "how" to employees can help them see the benefits of switching from their traditional health plan.

If you want more information about health savings accounts (HSAs) or about switching from your current plan to an HSA-qualified health plan, contact us at:

866.855.8908 | Get.HealthEquity.com/Request-More-Information

HealthEquity does not provide legal, tax or financial advice. Always consult a professional when making life changing decisions.

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