

# FIVE STRATEGIES TO PROMOTE HEALTHCARE CONSUMERISM



Connecting Health and Wealth





## New HealthEquity data suggests opportunity to improve healthcare consumerism among members.

Most benefits managers recognize the power of consumer-directed benefits when it comes to shaping behavior. Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs) and Health Reimbursement Arrangements (HRAs) give people the tools they need to take control of their healthcare and maximize purchasing power.

But new data from HealthEquity suggests that offering these benefits is only a start. There's still a lot of work to do to ensure your people can become savvy healthcare consumers. Using data from a national omnibus survey conducted in the fall of 2020, this study identifies five critical strategies your organization can use to boost healthcare consumerism.

### Quick summary:

- Strategy 1** Use an employer match to increase available funds.
- Strategy 2** Prioritize employee education.
- Strategy 3** Increase access to price transparency tools.
- Strategy 4** Promote telehealth services.
- Strategy 5** Focus on financial wellness.

## About the study

In partnership with 8Acre Research, HealthEquity conducted a national omnibus survey of:



1,551 participants



Full-time employees



Healthcare coverage  
through employer

Fielded in September 2020



# WHY HEALTHCARE CONSUMERISM MATTERS IN 2021

Nearly 60 percent of Americans say they wouldn't be able to cover a \$1,000 emergency from their savings without turning to other sources, like a credit card.<sup>1</sup>

That's an issue for employers as well as their people. The financial stress caused by poor health savings behavior can affect productivity and morale in the workplace. According to a 2019 survey from PwC, nearly half (49 percent) of employees who are stressed about their finances say they spend three hours or more at work each week thinking about or dealing with personal financial issues.<sup>2</sup>

Consumer-defined benefits, powered by smart employer strategies encouraging healthcare consumerism, can help alleviate some of these outcomes. When employees make

better healthcare decisions, they are physically healthier and less stressed, leading to less absenteeism and more productive working hours.

Better satisfaction with benefits and personal health is also linked with greater employment longevity and makes recruiting easier. More than 75 percent of job seekers say health benefits are very important when considering a job offer, and 60 percent of employees cite health benefits as among the reasons they stay at their current job.<sup>3</sup>

To better understand how these forces may influence employer and employee health in 2021, HealthEquity partnered with 8Acre Research to survey Americans on a variety of topics related to healthcare consumerism. In the following sections, we share five key strategies that emerged from our analysis.

<sup>1</sup> Bankrate, 2020: "Survey: Nearly 4 in 10 Americans would borrow money to cover a \$1K emergency." Amanda Dixon: [Bankrate.com/banking/savings/financial-security-january-2020/](https://www.bankrate.com/banking/savings/financial-security-january-2020/)

<sup>2</sup> PwC, 2019: Employee Financial Wellness Survey: [PWC.com/us/en/industries/private-company-services/images/pwc-8th-annual-employee-financial-wellness-survey-2019-results.pdf](https://www.pwc.com/us/en/industries/private-company-services/images/pwc-8th-annual-employee-financial-wellness-survey-2019-results.pdf)

<sup>3</sup> EBRI Issue Brief (Jan) 2019: The State of Employee Benefits: Findings From the 2018 Health and Workplace Benefits Survey. By Lisa Greenwald, Greenwald & Associates, and Paul Fronstin, Ph.D., Employee Benefit Research Institute. [EBRI.org/docs/default-source/ebri-issue-brief/ebri\\_ib\\_470\\_wbs2-10jan19.pdf?sfvrsn=c5db3e2f\\_10](https://ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_470_wbs2-10jan19.pdf?sfvrsn=c5db3e2f_10)





## STRATEGY 1

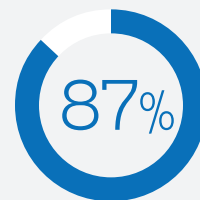
# USE AN EMPLOYER MATCH PROGRAM TO INCREASE AVAILABLE FUNDS

The most straightforward way to advance healthcare consumerism is to get more tax-advantaged money in the hands of your people. According to the survey, HSA users are already motivated to contribute to their accounts. In fact, more than 80 percent said a primary reason they signed up for the HSA was because of its tax advantages.<sup>4</sup>

But organizations can further increase employee balances by using a plan design that incentivizes greater contributions. Most respondents said it would make a difference.

This survey data supports findings from another recent HealthEquity study. According to our internal client data, plans that include an employer match incentivize both HSA adoption and use. Plans with an employer match have been shown to elicit 22 percent more employee participation and employee contributions that are 35 percent higher than plans without a match.<sup>5</sup>

Instituting this plan change can therefore spur greater use of consumer-driven benefits like HSAs, as well as help your people build greater health savings balances.



of survey respondents said that having an employer match HSA contributions would be a strong motivation to increase how much they put into their accounts.

<sup>4</sup> Nothing in this communication is intended as legal, tax or financial advice. Always consult a professional when making life-changing decisions. 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-deductible with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

<sup>5</sup> HealthEquity, 2020: Help your employees build health savings – here's how. [Blog.healthequity.com/help-your-employees-build-health-savings-heres-how](https://blog.healthequity.com/help-your-employees-build-health-savings-heres-how)

## STRATEGY 2

# PRIORITIZE EMPLOYEE EDUCATION

Promoting savvy consumerism isn't only about spending in the immediate term. Consumerism matters later in life too. The latest estimates suggest the average American couple will need \$301,000 to have a 90 percent chance of covering healthcare costs in retirement.<sup>6</sup> That's why it's critical to help members build long-term health savings.

Unfortunately, many people don't use their HSA primarily as a savings account. In fact, half of the respondents said they use their HSA primarily to pay for healthcare expenses in the current year. Only 30 percent use their HSA to save for future healthcare expenses, and 20 percent say they use it for an equal mix of both spending and saving.

Perhaps because respondents view the HSA primarily as a spending account, 77 percent said that if they had extra funds to save they would put it in their retirement plan. Only 12 percent of respondents said they would put the extra funds toward their HSA.

The good news is that people are thinking about retirement. More than 40 percent of respondents said they were concerned they weren't contributing enough for retirement. Given that nearly one in four Americans have zero retirement savings, it's good to see retirement coming into focus.

The problem, however, is that respondents do not currently view their HSA as a retirement savings account. They view it as a spending account and accordingly prioritize other options like the

401(k) or IRA. Clearly, there's a real opportunity to help members understand the power of the HSA and how to use it for retirement.<sup>7</sup>

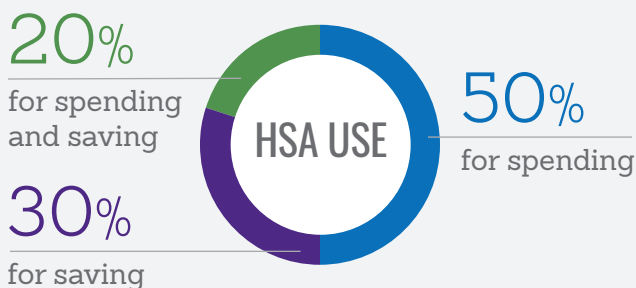
Education in this context requires a two-pronged approach. First, it's important to teach members about the power of the HSA for retirement savings. For example, many HSA members don't know that HSA investing<sup>8</sup> is even an option. They aren't aware of the triple-tax advantage, which includes pre-tax contributions, tax-free earnings and tax-free distribution for qualified medical expenses. And they don't understand the comparative spending power (versus the 401k) that HSAs deliver in retirement for healthcare spending.

**But teaching *about* the HSA is only one part of the equation.**

You've also got to promote the habits that propel members on the journey to long-term retirement savings. It's one thing to know that HSAs make powerful retirement savings accounts. But it's another thing to use it. That's where you need a partner who can maximize participation and account utilization through data-driven, targeted engagement campaigns. At HealthEquity, for example, we use **Engage360**, which is our proven approach to member engagement, focusing on trigger-based communications that are directly responsive to member account behavior. The key is to engage members with the right message at the right time to shape savings habits that set members on the path to retirement readiness.

## SURVEY INSIGHTS

How do members use their HSA?



Where do members prioritize extra savings?



<sup>6</sup> Based on median prescription drug expenses. Source: EBRI 2019: [ebri.org/content/savings-medicare-beneficiaries-need-for-health-expenses-in-2019](https://ebri.org/content/savings-medicare-beneficiaries-need-for-health-expenses-in-2019)

<sup>7</sup> 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.

<sup>8</sup> Investments made available to HSA holders are subject to risk, including the possible loss of the principal invested, and are not FDIC or NCUA insured, or guaranteed by HealthEquity, Inc. Investing through the HealthEquity investment platform is subject to the terms and conditions of the Health Savings Account Custodial Agreement and any applicable investment supplement. HSA holders making investments should review the applicable fund's prospectus. Investment options and thresholds may vary and are subject to change. Consult your advisor or the IRS with any questions regarding investments or on filing your tax return.



## STRATEGY 3

# INCREASE ACCESS TO PRICE TRANSPARENCY TOOLS

Long-term savings are propelled, in large measure, by smarter spending habits. After all, it's hard for people to save if they spend all their money in the short term. When it comes to healthcare consumerism, there is perhaps nothing more important than price shopping. Recent research suggests that price shopping healthcare providers can reduce overall spend up to seven percent, which translates into meaningful savings for consumers.<sup>9</sup>

Our survey reveals that HSAs go a long way toward promoting price shopping. In fact, 65 percent of HSA users say they usually compare prices before selecting a healthcare provider. By contrast, only 55 percent without an HSA say they price shop healthcare.

**80 percent of HSA members say they wish they had better resources available to compare prices.**

Although price shopping has become more common, there's still room to improve how it's practiced. Survey respondents pointed to some common obstacles that prevent them from researching and comparing healthcare prices. The figures below describe those obstacles.

## HSA MEMBERS WHO DO NOT PRICE SHOP: WHY NOT?

48%

"It's too hard to find reliable information"

32%

"Healthcare pricing is complex and difficult to understand"

26%

"I don't have time to do all the research"

By providing price transparency tools and amplifying your education programs, you can help your people comparison shop more easily and make more informed decisions about their healthcare. Providing instruction on how to price shop—as well as tools like reference pricing for healthcare services—can remove some of the obstacles and promote more effective healthcare consumerism.



## POPULAR PRICE TRANSPARENCY TOOLS TO EXPLORE<sup>10</sup>

- ✓ Coupon-driven websites like RxSaver™
- ✓ Integrated price shopping solutions like Healthcare Bluebook
- ✓ State-sponsored resources like Florida Health Price Finder or Health Score Connecticut
- ✓ Health plan comparison tools like the HealthEquity CompareMyHSA.com
- ✓ Health plan providers like Aetna and Blue Cross Blue Shield offer provider finder and cost estimator tools



<sup>9</sup> Modern Healthcare 2018: [Modernhealthcare.com/article/20181103/TRANSFORMATION04/181039995/encouraging-patients-to-shop-around-amid-high-healthcare-prices](https://www.modernhealthcare.com/article/20181103/TRANSFORMATION04/181039995/encouraging-patients-to-shop-around-amid-high-healthcare-prices)

<sup>10</sup> HealthEquity has no control over, and no liability for any third party websites or materials. HealthEquity makes no guarantees about, the accuracy, currency, content or quality of the information provided by such sites, and we assume no responsibility for unintended, objectionable, inaccurate, misleading, or unlawful content that may reside on any such sites.



## STRATEGY 4

# PROMOTE TELEHEALTH SERVICES

The COVID-19 pandemic has significantly changed the way Americans access healthcare. Seven in ten survey respondents said the pandemic had made them more willing to use telehealth resources. This was true across all age groups—even older Americans are getting more comfortable with remote doctor visits.

Not only does telehealth expand access and prevent needless exposure to illness, but it also cuts costs. With telehealth resources, people don't have to pay for travel, childcare or taking time off work. There is also less overhead involved for healthcare providers.

Organizations can help promote cost savings by offering a telehealth benefit that includes access to virtual visits. You could also work with your health plan to reduce member cost-sharing fees for telehealth in order to boost participation. Some organizations even offer gift cards or other financial incentives to employees who register for virtual visits.

A 2018 study published in the *American Journal of Emergency Medicine* found telehealth services help patients save between \$19 to \$121 per visit.<sup>11</sup>

<sup>11</sup> The American Journal of Emergency Medicine 2018: [Ajemjournal.com/article/S0735-6757\(18\)30653-3/fulltext](https://ajemjournal.com/article/S0735-6757(18)30653-3/fulltext)



## STRATEGY 5

# FOCUS ON FINANCIAL WELLNESS

The COVID-19 pandemic has also increased financial anxiety for millions. Younger workers, lower-income earners and families with children are especially vulnerable. Nearly half (49 percent) of full-time employees aged 18 to 34 say they have delayed or gone without healthcare services due to cost in the past six months. Another 46 percent of younger employees say they've cut their spending in other areas to afford healthcare costs.

Meanwhile, nearly half (49 percent) of employees with a household income of under \$50,000 say they're very or somewhat concerned they aren't contributing enough to their HSA. They're also more likely than higher income earners to be concerned about contributions to their FSA as well.

Finally, employees with children represent the group most likely to say they've had to make tradeoffs between healthcare and other expenses in the last six months. According to the survey, 63 percent of employees with children say they're making tradeoffs or going without healthcare as compared to 46 percent of the total population.

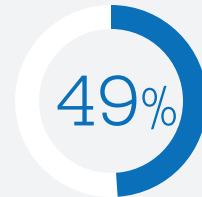
This data indicates a critical need for organizations to put greater focus on financial wellness. If you don't already have one, consider adding a financial wellness program to your employee benefits offering. Best practices for financial wellness programs include education on:

- Household budgeting
- Personal spending behaviors
- Financial goal setting
- Debt reduction, including student loan repayment management
- Credit building
- Financial crisis management

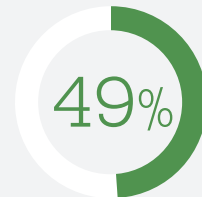
You can lead these programs yourself or partner with companies that specialize in employee financial planning. Just be sure you understand your organization's fiduciary responsibilities and potential liabilities associated with the program.

If you already offer a financial wellness program, consider expanding it with new workshops or even financial incentives that encourage engagement. You can conduct a needs assessment among your staff to ascertain their pain points and plan your next steps.

## RESPONDENTS WHO SAID THEY DELAYED OR WENT WITHOUT HEALTHCARE SERVICES IN THE PAST SIX MONTHS



of workers aged 18 to 34



of households earning less than \$50,000



of families with children





## TOGETHER, LET'S MAKE 2021 THE YEAR OF HEALTHCARE CONSUMERISM



There's no doubt that organizations need to work harder to promote healthcare consumerism. Offering consumer-directed benefits like HSAs, FSAs and HRAs is a great start. But it's only the beginning. How you implement these benefits can make a huge difference for your people.

**Let HealthEquity help you get more from the benefits you offer.**

Our approach to member engagement builds on insights from the behavioral sciences to systematize education and promote better saving habits. Combined with our intuitive technology and remarkable service, your people will have the tools and resources they need to take control of their health and achieve long-term financial wellbeing.

Our Total Solution brings a powerful lineup of integrated benefits, so you can deliver a more cohesive experience. From HSA and FSA to COBRA and Commuter, unlock economies of scale and get bundled pricing you won't find anywhere else.

**Discover more ways to connect health and wealth.**  
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## ONE PARTNER. TOTAL SOLUTION.

Only HealthEquity delivers the integrated solutions you need to simplify benefits and truly impact people's lives.



HSA



FSA



HRA



Commuter



COBRA



Wellbeing