HealthEquity®

FIVE CREATIVE WAYS TO CUT BENEFITS COSTS IN 2023

Connecting Health and Wealth

Benefits costs are skyrocketing. But you can take control.

In some ways, offering employee benefits has never been more challenging. Today's benefits professionals are tasked with handling the perennial challenge of rising healthcare costs as well as mitigating the strain of the COVID-19 pandemic.

Annual premiums for employer-sponsored family health coverage have increased more than 45 percent since 2011, reaching $22,221 in 2021, according to the Kaiser Family Foundation's 2021 Employer Health Benefits Survey.[1] At the same time, the ongoing pandemic has tightened organizational budgets and made cost increases more difficult to manage.

The pandemic has also helped fuel a rise in resignations, resulting in a competitive talent market that demands generous and flexible benefits.

Benefits teams clearly need to adjust their strategies for 2023. In this resource, we outline five creative ways organizations can potentially cut benefits costs without sacrificing their competitive edge.

Let's dive in.

[1] Kaiser Family Foundation: 2021: https://www.kff.org/report-section/ehbs-2021-summary-of-findings/

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STRATEGY 1

GO FULL REPLACEMENT HSA

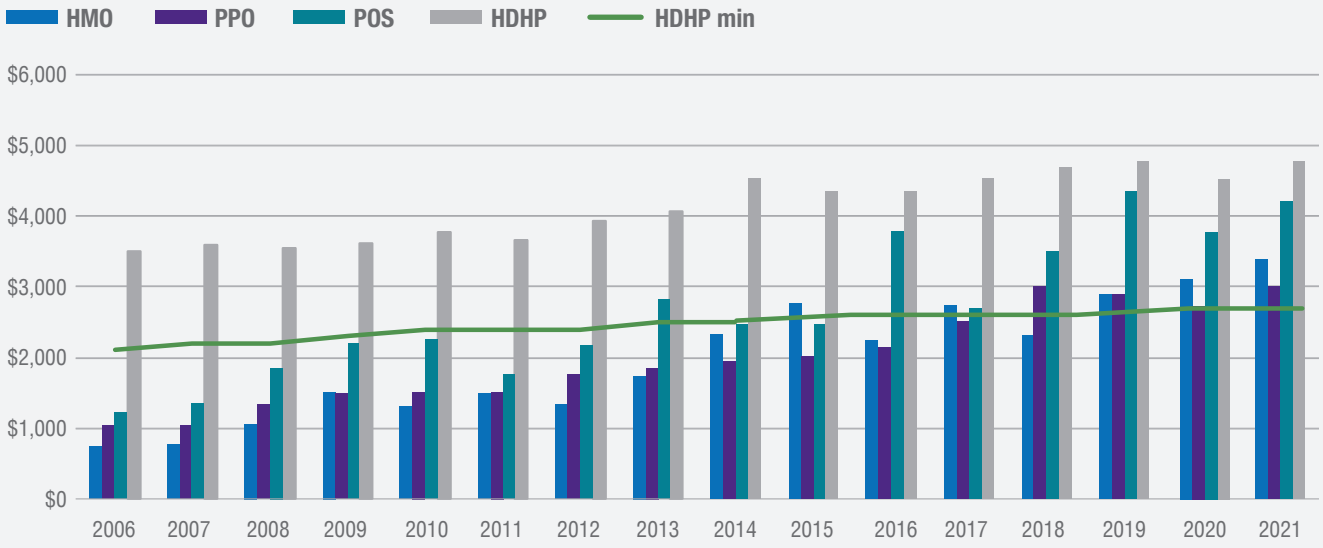
Healthcare costs keep climbing—with no end in sight. It's no surprise that more organizations are offering HSA-qualified health plans.

HSA-qualified health plan premiums are markedly less expensive than other plans. In 2021, premiums for HSA-qualified plans were roughly 11 percent lower than the premiums of traditional PPO options.[2] HSA-qualified health plans also enjoy lower annual rate increases. From 2020 to 2021, the average premium for HSA-qualified plans increased just 2 percent compared to the 4 percent increase seen across other plans.[3,4]

Organizations find that cost savings are so significant they're electing to go full replacement and offer HSA-qualified health plans exclusively. The main catalyst is that traditional plans are starting to lose their appeal because deductibles are on the rise. In fact, PPO, POS, and HMO plans have started to exceed the federally defined threshold for HSA-qualified health plans. There's a leveling happening across the industry, which makes it much easier for organizations to choose full replacement.

Going full replacement HSA also gives organizations a chance to provide highly valued assets during a time of uncertainty. In a 2021 survey from HealthEquity, 77 percent of responders said having an HSA gave them peace of mind during the previous year. Leading the way with an HSA offering not only saves the organization money – it can help promote individual savings that employees value and potentially limit costs.[5]

Family Plan Deductible[5]



[2] Kaiser Family Foundation 2021: https://www.kff.org/report-section/ehbs-2021-section-1-cost-of-health-insurance/#figure11/
[3] Kaiser Family Foundation 2020: https://files.kff.org/attachment/Report-Employer-Health-Benefits-2020-Annual-Survey.pdf
[4] Kaiser Family Foundation 2021: https://files.kff.org/attachment/Report-Employer-Health-Benefits-2021-Annual-Survey.pdf
[5] HealthEquity 2021: https://blog.healthequity.com/did-the-pandemic-boost-the-case-for-hsas

CASE IN POINT

THE HSA EFFECT ON TWO PENNSLYVANIA SCHOOL DISTRICTS

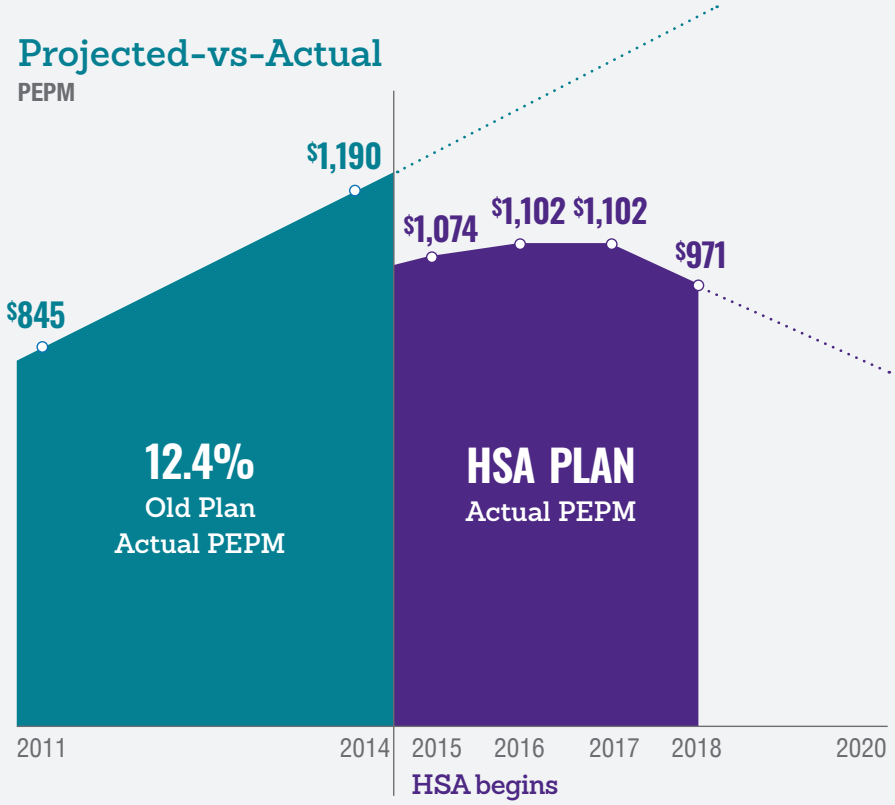
To test the effect of going full replacement HSA, HealthEquity tracked two Pennsylvania school districts after the transition to exclusively HSA-qualified health plans. In 2015, the two districts fully transitioned to HSA-qualified health plans with a $1,500 deductible for individuals and a $3,000 deductible for family plans.

The result was a significant increase in savings. By 2018, the districts enjoyed a combined $6 million in annual savings—or $1,022 per employee per month (PEPM) for that year. The two districts also saw significant claims savings as well, totaling an estimated $14.4 million over four years, compared to their old plan.

In addition, employees reported a high level of health plan satisfaction and much higher account balances ($1.7 million in total). There was also no evidence that the HSA plan increased risk for higher healthcare costs due to avoidance of necessary medical care.

In fact, the results were so positive that both districts included renewals for HSA-qualified health plans in their new collective bargaining agreements.

Executing a full replacement HSA allowed employees to take control of their healthcare and the districts to take control of soaring healthcare costs. Now, employees are on a path to long-term financial security—and the districts are too.



All data referenced in this case study is based exclusively on anonymized HealthEquity client data.

STRATEGY 2

IMPLEMENT ACTIVE OPEN ENROLLMENT

Active open enrollment creates amazing opportunity to engage your people and encourage positive behaviors. Unfortunately, only half of employers still implement active open enrollment.[6] The result: Too many employees simply default to last year's choice.

Default bias is a serious hurdle. Those who might otherwise elect lower cost options remain in more expensive plans. So, you need to create an occasion for your people to review and reflect on their benefits.

For organizations that don't go full replace, active open enrollment can help maximize HSA adoption. The more employees choose HSA-qualified health plans, the more downward pressure you can put on overall healthcare costs.

For organizations that exclusively offer HSA-qualified health plans, active open enrollment is still a good idea because it gives you an opportunity to inspire your people to maximize contributions. Like flexible spending accounts (FSAs), HSA contributions bring Federal Insurance Contribution Act (FICA) tax savings to the organization, while helping your people save more for future healthcare needs. Plus, active open enrollment enables you to reinforce the value of the benefits you offer. Let your people know you care about them and want to help them to achieve more.

To successfully execute an active open enrollment, employers should prioritize education and provide tools to help employees easily navigate their options. Detailed webinars with long Q&A sessions can give employees insight into their options. Consider offering dedicated appointment hours, so your employees can meet with the benefits team one on one. Finally, make sure to include employee household members in outreach efforts, since the decisionmaker might not be in the office.

Although active open enrollment requires greater investment of time and resources, it can result in more HSA adoption and higher contributions, which pays real dividends throughout the plan year.

[6] https://www.griffinbenefits.com/blog/active-versus-passive-open-enrollment-weighing-pros-cons-risks

Our recent analysis of 700 HealthEquity clients showed that active open enrollment yielded a 39 percent increase in HSA adoption over seven years.

Given the 11 percent average difference in monthly premiums per employee as compared to a PPO plan, boosting HSA adoption this much can lead to massive cost savings.

3

STRATEGY 3

IMPLEMENT A THOUGHTFUL WELLNESS PROGRAM

While it may not seem immediately apparent, your organization can also cut benefits costs over time with a well-planned wellness program.

This works on two fronts. First, wellness programs promote behaviors that can keep healthy employees healthy and help higher-risk employees lower their chances for negative health experiences. A review of more than 50 published studies on wellness programs found that well-implemented programs can lead to 25 percent savings for organizations in absenteeism, healthcare costs and workers' compensation and disability management claims costs.[7]

Second, wellness programs can prevent costs associated with employee churn. According to Mercer's 2021 Health on Demand Report, nearly 60 percent of US employees say they're currently experiencing stress. By implementing a wellness program that addresses these issues, organizations can help those employees heal – and make them less likely to look for new work elsewhere. The same Mercer study found that 42 percent of employees say they're more likely to stay at their current organization because of its mental health benefits.[8]

[7] https://www.cdc.gov/workplacehealthpromotion/model/control-costs/index.html
[8] Mercer Study is: Mercer 2021: https://www.mercer.com/our-thinking/health/mmb-2021-health-on-demand.html

STRATEGY 4

OFFER AN HSA CONTRIBUTION MATCH

As we said above, active open enrollment is a great way to help your people maximize HSA contributions. Getting your people to contribute more is good for their long-term financial wellbeing—and it's good for your bottom line too.

When it comes to incentivizing contributions, the employer's contribution strategy can make a big difference. Many organizations elect to seed HSAs by contributing a lump sum at the beginning of the plan year. However, there's good evidence from HeatlhEquity data that suggests employer matching might be a more effective contribution strategy.

With an HSA match, you commit to contributing a certain portion of what employees contribute, up to a specific threshold. You can make these contributions as a percentage match or as a dollar-for-dollar match.

Under the percentage match model, you contribute a percentage of the amount your employees contribute (example: a 50 percent match of employee contributions up to a $500 maximum).

Under the dollar-for-dollar match model, you contribute at the same rate as your employee (example: $1 for every $1 of employee contributions, up to $500).

Model 1

X% TO $1

Model 2

$1 TO $1

Either contribution strategy results in significant employer cost savings. According to internal HealthEquity data, 79 percent of employers using a match had lower HSA contributions than employers using a seed-only contribution strategy.

Matching also generates positive savings outcomes for employees. When employers use a match strategy, 22 percent more employees contribute as compared to a seed-only strategy, resulting in 35 percent higher employee contributions.

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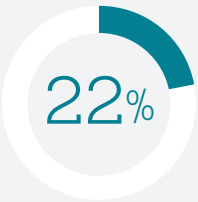
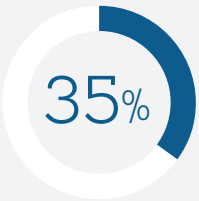
Employer match (vs seed only)

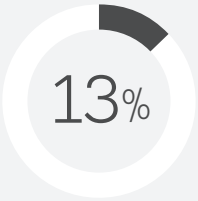


more employees contribute

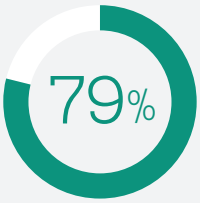
see higher levels of employee participation



higher average employee contributions



greater employer cost savings*



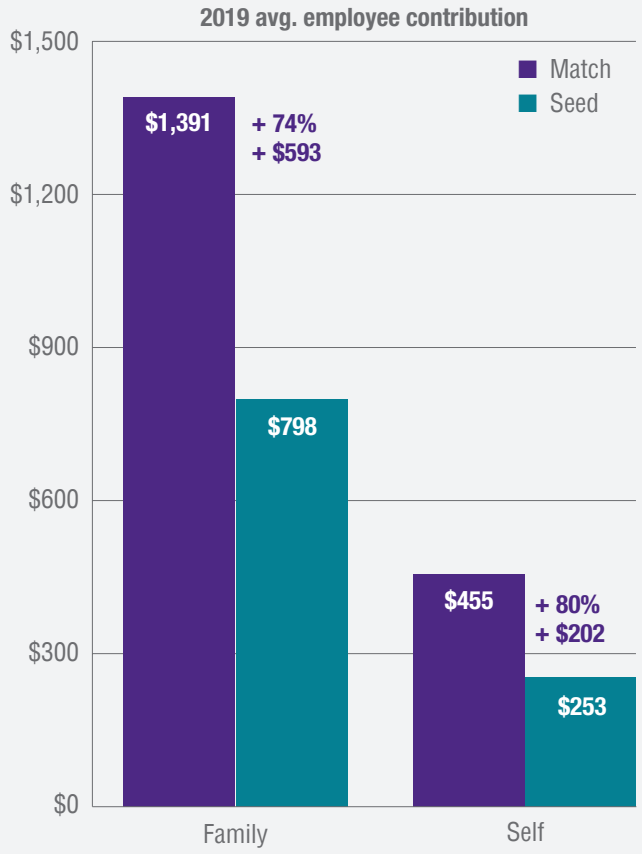
had lower employer contributions

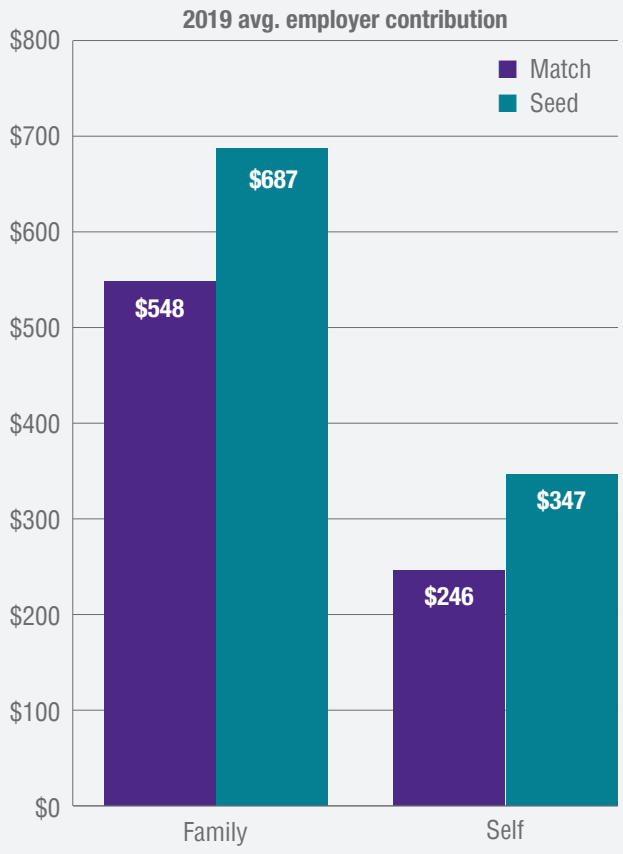
*Cost savings are estimates only. Actual results may vary.

CASE IN POINT

COMPARING TWO ORGANIZATIONS IN THE HOSPITALITY INDUSTRY

We compared two similarly sized organizations in the hospitality industry—one implemented an employer match and one did not. Both organizations offered $500 for single employees and $1,000 to employees with a family. The company with a match required employee contributions before funds were dispersed, while the seed-only organization dispersed funds regardless of employee activity.





As the charts above illustrate, the organization using a match contributed roughly 25 percent less than the organization using the seed-only option. In addition, employee contributions at the organization using the match were 80 percent higher among single employees and 74 percent higher among employees with a family.

Beyond the charts, the analysis also uncovered several additional advantages. Nearly 90 percent of employees at the organization using a match contributed funds to their HSA, compared to just 37 percent of employees at the seed-only organization. At the same time, total HSA balances were on average 24 percent higher at the organization using a match.

Although not always right for every business, it's clear that the employer match is a powerful tool that helps incentivize HSA adoption and use—and therefore drives serious cost savings.

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STRATEGY 5

FOCUS ON ENGAGEMENT YEAR ROUND

Employee engagement shouldn't end at the close of open enrollment. To truly maximize cost savings potential, employers need to keep their people plugged in and inspired throughout the plan year. That way, they'll be more likely to re-elect low-cost plan options next year.

Adoptions and contributions are habit-driven activities. So, the more your people use and appreciate their HSA, the more you can maximize long-term cost savings.

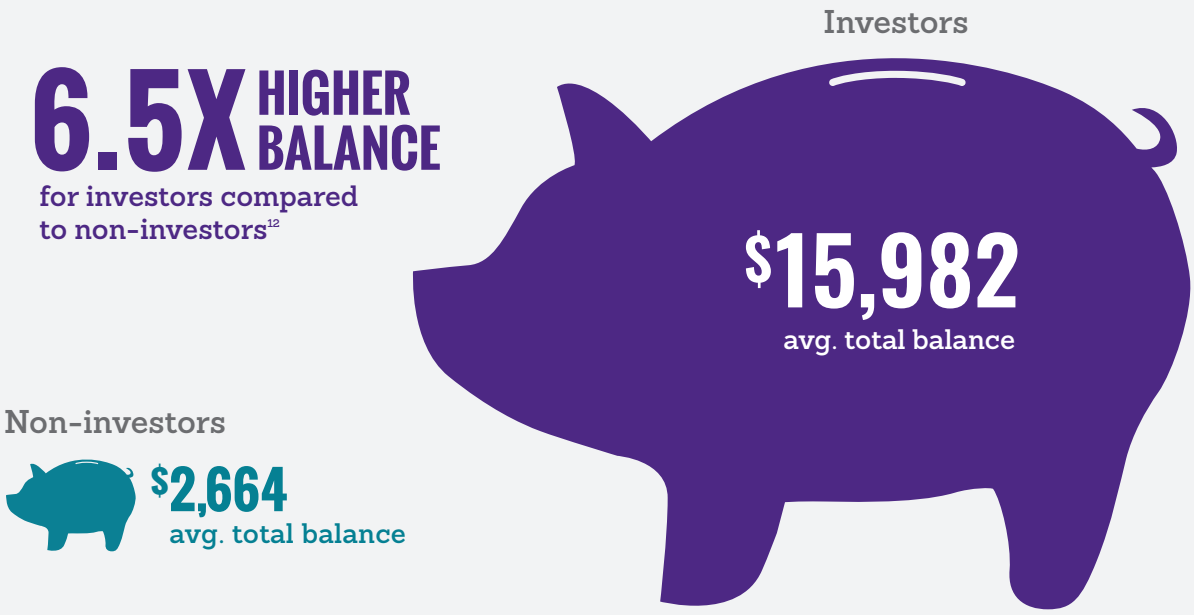
Engagement starts with education. Most people aren't trained financial planners. And even some financial professionals don't know all the perks of an HSA. You need to offer decision-making tools and other support. Give your people webinars and easy-to-digest communications that help them understand the ins and outs of their HSA.

You can help them spend smarter too. Only about 20 percent of Americans compare prices across multiple providers before choosing healthcare services.[9] Help them access comparison shopping tools, highlight the benefits of preventative healthcare, and encourage them to choose generic rather than name-brand prescription drugs.

Finally, find ways to help your people grow their HSA balances. Only 9 percent of HSA users invest in stocks, bonds or mutual funds.[10] But investing[11] leads to HSA balances that are on average six times higher than balances of those who don't invest funds.

Of course, we also recognize that savings rate matters more than investment returns. A high yield on a low balance won't move the needle. So, it's important to constantly push your people to maximize their end of year net balance.

The name of the game is engagement. Engagement leads to HSA utilization. And HSA utilization leads to long-term cost savings for your people and the organization.



[9] https://www.publicagenda.org/reports/how-much-will-it-cost-how-americans-use-prices-in-health-care/

[10] EBRI 2021: https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_538_hsalong-16sep21.pdf?sfvrsn=f2673b2f_4

[11] Investments 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 i s subject to the terms and conditions of the Health Savings Account Custodial Agreement and any applicable investment supplement. Investing may not be suitable for everyone and before making any investments, review the fund's prospectus.

[12] https://www.devenir.com/wp-content/uploads/2020-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf

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