Choosing a Health Savings Account for Your Employees

Why Bank on a Retail Bank to Administer Such an Important Employee Benefit?
Executive Summary

Health insurance premiums have nearly doubled in the past five years. The average annual premium for employer-sponsored health insurance is now $5,884 for single coverage and $16,351 for family coverage.

These ever-increasing costs are leading organizations to shift to high-deductible health plans (HDHPs) as a way to lower hefty premiums, with more than half (58 percent) of covered workers at small firms (with 3-199 employees) carrying a deductible of $1,000 or more.

Yet as premiums continue to rise, workers’ wages are simply not keeping pace. While single coverage premiums increased five percent from 2012 to 2013, wages increased only 1.8 percent during the same time period—a number that many would argue is negligible as inflation increased at a rate of 1.1 percent, negating much of the modest increase.

As an employer, you’re being pulled in two different directions. You’re faced with a responsibility to lower operational expenses, but you also want to relieve some of the financial burden for your employees.

That’s where a Health Savings Account (HSA) comes in. An HSA is a pre-tax benefit program to help individuals save money for current and future healthcare expenses. HSAs are gaining popularity, with 43 percent of firms with 1,000 or more employees now offering a HDHP with a savings option, such as an HSA.

You want to find the best HSA for your employees and your organization, but might not know where to start. It’s important to first understand that not all HSA offerings are the same. The entity you partner with to administer your HSA can make an enormous difference—to both your organization and your employees.

This paper outlines the best practices associated with selecting an HSA administrator and clears up some of the common misconceptions of working with a local retail bank versus a benefits administrator. In addition, this paper identifies the key questions you should ask of any HSA administrator before you make a selection.
The Name You Trust May Not Be the Name You Need

It happens all of the time in our everyday lives—we go with the brand that we know. After all, recognizable brand names provide a sense of comfort. However, a brand name can sometimes be misleading when you assume those trusted brand attributes apply to all products.

When you think of your bank, what services come to mind? Checking accounts? Payroll? Business loans? HSAs probably don’t come to mind. But since they are “savings” accounts, you may expect your bank to be the best option to manage this account.

The reality is that while they leverage pre-tax funds and provide multiple investment options to help your employees’ funds grow, HSAs are much more than low-interest savings accounts. You need an HSA vendor that is an HSA expert. Your HSA administrator should be an expert in the ever-changing legislative landscape of HSAs. They should be able to translate this legislative experience into innovative product offerings. And they should be able to provide ongoing support and benefits expertise—well beyond the straightforward financial guidance provided by a local retail bank.

A Warning Sign: When the HSA Stands Alone

When retail banks talk about the benefits they provide, most lead with the HSA. There’s probably a good reason: it’s a standalone offering. Flexible Spending Accounts (FSAs) or other Consumer-Directed Benefits are typically an afterthought for banks and may even be leased from another vendor, with no integration among the offerings.

When an HSA is a standalone offering, your employees end up with multiple, isolated accounts, different reimbursement mechanisms, and various customer support tools and contacts. This causes potential confusion and management headaches.

In contrast, partnering with a benefits administrator offers significant advantages. Among these is the integration of a broad array of related offerings. When an HSA and other Consumer-Directed Benefits originate from a single administrator, employees gain a complete and accurate view of all benefits accounts. With a single login via one website and mobile app, these benefit accounts are easier to monitor, manage, and use.

This integration and ease of use continues even as employees’ needs inevitably change. For example, maybe an employee was originally on a preferred provider organization (PPO) health plan, paired with an FSA, but decides to move to a HDHP to take advantage of lower premiums. In that case, an HSA and Limited Purpose FSA might make more sense.

Regardless of which programs employees select, they deserve a seamless way to manage funds and activities—even if they switch back and forth. Benefits administrators have the experience and the focus to support the needs of employees at different life phases.
The Difference Between “Account” and “Benefit”

When you need banking advice, going to a bank makes perfect sense. The problem is that banks often treat HSAs like any other banking product. They focus exclusively on the transaction and the individual account. Spending and saving wisely with an HSA requires education and strategic thinking.

Benefits administrators approach an HSA as an employee benefit—not just an account. There is a strong belief that the HSA should be treated as an integral part of your organization’s overall healthcare program and initiatives.

Unlike retail banks, benefits administrators have extensive resources to help employees be better stewards of their healthcare dollars. Benefits administrators provide tools—from how-to guides to contribution calculators—and support to help employees better understand how to best leverage their HSA based on their individual healthcare savings goals.

WageWorks offers your employees a complete and accurate view of all their benefits accounts from one website with a single login, making benefit accounts easier to monitor, manage, and use.
**HSAs for Profit?**

When HSAs first came on the market, banks jumped on the bandwagon as a way to get more deposits and attach ancillary fees, such as overdraft fees and account closing fees. That last thing you want is for employees to be caught off guard by additional costs buried in the fine print.

In addition, when an organization turns to a bank for an HSA, they become a target for the upsell of their other financial products and services, such as a mortgage or car loan.

The majority of benefits administrators got their start offering benefit accounts, and that’s still the focus today. There’s no hidden agenda and there are no hidden fees.

**The Importance of Investment Flexibility**

A huge advantage of an HSA is the ability to invest funds for future use, including retirement. Yet making smart investment decisions can be easier said than done. It’s important to do your due diligence about what investment options are available to employees and who your HSA vendor has partnered with for investment programs.

Saving goals evolve over the course of a lifetime. Employees need customized investment options that can change, too. Benefits administrators that maintain long-standing relationships with premier custodian partners, such as BNY Mellon, can provide employees with peace of mind that their funds are where they need to be at every phase of the investment cycle.

A WageWorks HSA provides tools to help employees better understand how to best leverage their HSA based on their individual healthcare savings goals.

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**Key Benefits of a WageWorks HSA**

- Innovative technology platform to simplify benefits management
- Easy-to-use payment options to drive employee enrollment
- Range of investment options backed by trusted financial custodians
- Maximum scalability and visibility to accommodate employer and employee needs
- Self-service capabilities to lower administrative costs
- Outstanding support to ease management
The Relationship Between Compliance and Protection

What kinds of healthcare expenses qualify as “eligible” for HSA funds? This is critical information for employees to have. HSA funds used for ineligible costs will be taxed and penalized. Unfortunately, employees learn that lesson the hard way with retail banks as there’s typically little education or monitoring of the HSA withdrawal process.

Benefit administrators, on the other hand, are committed to ensuring that plan participants are using funds in the most compliant and effective fashion. Tools and processes are in place to help employees use their account wisely and in compliance with IRS rules. As a result, employees gain the information they need to make appropriate use of their funds.

A WageWorks HSA is designed to be in full compliance with IRS Regulations, including those related to eligible expenses.
Key Questions to Ask a Potential HSA Partner

Now that you understand the advantages that a benefits administrator offers when it comes to HSAs, it’s important to make an informed decision about which HSA administrator is right for you. Here are some questions you should ask any potential HSA partner before you make a selection:

• What experience do you have in administering HSAs along with other benefits products?

• How many active HSAs do you have?

• In addition to an HSA, do you offer a Healthcare FSA? A Dependent Care FSA? Wellness programs?

• What do you offer in terms of integration with other benefits products?

• How will you help communicate the value of an HSA to encourage enrollment amongst my employees?

• What level of support and education do you provide for my employees once they enroll in an HSA?

• How do you help my organization maintain compliance with IRS Regulations?

• What are your investment options and thresholds?

• Where will funds reside? Are the accounts FDIC insured?

• How quickly can my employees get into investment options and at what level?

• What are the potential fees associated with your HSA?

Conclusion

A bank is, well, a bank—accustomed to doing business with banking customers. For an HSA, doesn’t it make sense to work with an organization that specializes in benefits? You owe it to your organization and your employees to find an HSA partner that can deliver the absolute best products, support and investment options out there so that everyone benefits.

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Learn More
Talk to an expert. Your WageWorks sales representative can provide you with more information.
Or visit www.wageworks.com.

About WageWorks
WageWorks (NYSE: WAGE) is a leading provider of Consumer-Directed Benefits (CDBs) in the United States. WageWorks administers and operates a broad array of CDBs, including pre-tax spending accounts, such as healthcare and dependent care Flexible Spending Accounts (FSAs), as well as Commuter Benefit Services, including transit and parking programs, Health Savings Accounts (HSAs), Health Reimbursement Arrangements (HRAs), and other employee benefits.