

## Achieving Better HSA Engagement

Aligning your HSA with your 401(k) can help drive employee engagement.

By Karin Rettger for PSCA's HSA Committee

**A**s Health Savings Accounts (HSA) continue to soar in popularity, many plan sponsors continue to express challenges around communicating the HSA to employees. A trend among plan sponsors has been to align the HSA with the 401(k) — we think that trend will continue. Many plan sponsors continue to offer the HSA by the Health and Welfare plan manager. Most of the research today in HSA success suggests aligning it with the 401(k), and to consider HSA vendors that may not necessarily be aligned with your health plan, but possibly your 401(k) plan. In this article, we will review how this strategy has worked through our interview with an HSA provider, a PSCA member plan sponsor, and a 401(k) provider following a presentation at PSCA's National Conference in May.

### HSA Provider

Optum Health representative Glen Kvadua, indicated that while 58 percent of consumer conversations about health costs focus on the struggle of the consumer to pay medical bills, only 1 percent of conversations make a connection between HSAs and long-term financial security. Glen stressed that if we can personalize the experience for employees, it might allow employees to better estimate their out-of-pocket expenses and better use the HSA. Glen stated that 83 percent of consumers

would share their personal data online to enable a more tailored experience.

### Plan Sponsor

At Atrium Health, with 40,000 employees throughout North Carolina, South Carolina, and Georgia, they strongly believe that HSAs provide a link between consumer-directed health plans and retirement plans. Mercedes Ikard, Director Retirement Planning for Atrium, has been focusing on an aligned HSA and 401(k) strategy since 2016. She stresses that the key to communication is to keep it simple! At Atrium, they communicate to their employees using five different methods: a micro-site, branded emails, printed materials, instructor-led classes, and Yammer (a Facebook-like site available through Microsoft).

Atrium communicates the HSA as one of three ways an employee can save money for retirement: the 401(k) Retirement Savings Plan, the HSA, and the ADVANTAGE 457b Plan. This information is presented to employees on one page with links to explain the three plans. In addition, they have a graphic entitled "401(k) vs. HSA — Where to Save?" See Exhibit 1. The graphic focuses on what retirement expenses they might pay with their 401(k), and what expenses they might pay with their HSA.

Atrium also spends time explaining the investment features in their HSA. This includes some information on risk tolerance and balancing unexpected health care expenses against potential investment losses. They also educate about how much to invest and

**Exhibit 1: Expenses that can be paid with 401(k) assets vs. HSA assets in retirement**

401(k) Plan	HSA
General Expenses During Retirement	Healthcare Expenses During Retirement
Rent/Mortgage	Office Visit
Car	Medication
Food	Medical Test
Vacation	Hospitalization
Gifts	Home Healthcare
Education	Vision
Household Expenses	Dental
Personal Entertainment	Long Term Care

explained that most people begin to invest once they have saved:

1. The deductible, or
2. The out of pocket maximum, or
3. A flat dollar amount, or
4. Once they have met the minimum to invest

The outcomes of explaining the investment options in the HSA have resulted from 117 “teammates” investing about \$0.42 million in May of 2016 to 1,000 investing about \$6.4 million as of the end of December 2018.

## 401(k) Provider

Ken Forsythe, Head of Product Strategy at Empower Retirement, explained that Empower has recently aligned with Optum to build an integrated HSA and 401(k) strategy which will allow 401(k) participants to model 401(k) and HSA savings outcomes. Empower has developed personalized tools to help employees better plan for uncovered health care expenses and drive higher HSA savings rates.

By integrating HSA and 401(k), it provides a more complete retirement picture through the following:

1. Offers a holistic view of all workplace retirement savings options (401(k), HSA, DB, Non-qualified),
2. Encourages and facilitates immediate changes to HSA savings rates,
3. Provides recommended next steps to maximum contributions across accounts, and
4. Includes claims integration with most health insurance providers.

Empower’s Retirement Savings Optimization Model suggests employees:

1. Maximize their 401(k) Match.
2. Once they have contributed enough to maximize their employer 401(k) Match, they then contribute the maximum to the HSA.
3. After reaching the HSA maximum, return to the 401(k) to reach the maximum contribution allowed.

Through using these personalized tools, Ken stated that the increase in retirement success has greatly improved.

They have seen results that the outcomes for a person with an integrated retirement plan are on track to retire with 102 percent income replacement versus a 58 percent without a plan.

## Conclusion

The trend in aligning your HSA with your 401(k) or other retirement plan will continue and will help employees better understand the long-term savings an HSA can offer in helping to pay for uncovered expenses in retirement. We also see an increase in alignment between HSA providers and 401(k) providers to better communicate the HSA an additional retirement savings account.

If you have questions on HSAs or a challenging issue with your HSA, please write to us at [research@psca.org](mailto:research@psca.org).

*Karin Rettger is President of Principal Resource Group and vice-chair of PSCA’s HSA Committee.*

### New Research

## PSCA’s 2019 HSA Survey

PSCA recently published its inaugural survey of Health Savings Accounts — the first ever benchmarking survey of its kind — giving employers unbiased data to help evaluate their HSA programs. The survey report gives an inside look at company contribution methods, participation rates, fees, use of automatic features, and education around HSAs and their use as a retirement savings vehicle.

For more information and to purchase a copy of the report, visit <https://www.psca.org/2019HSASurvey>.