



Maximizing Your HSA Business Opportunities

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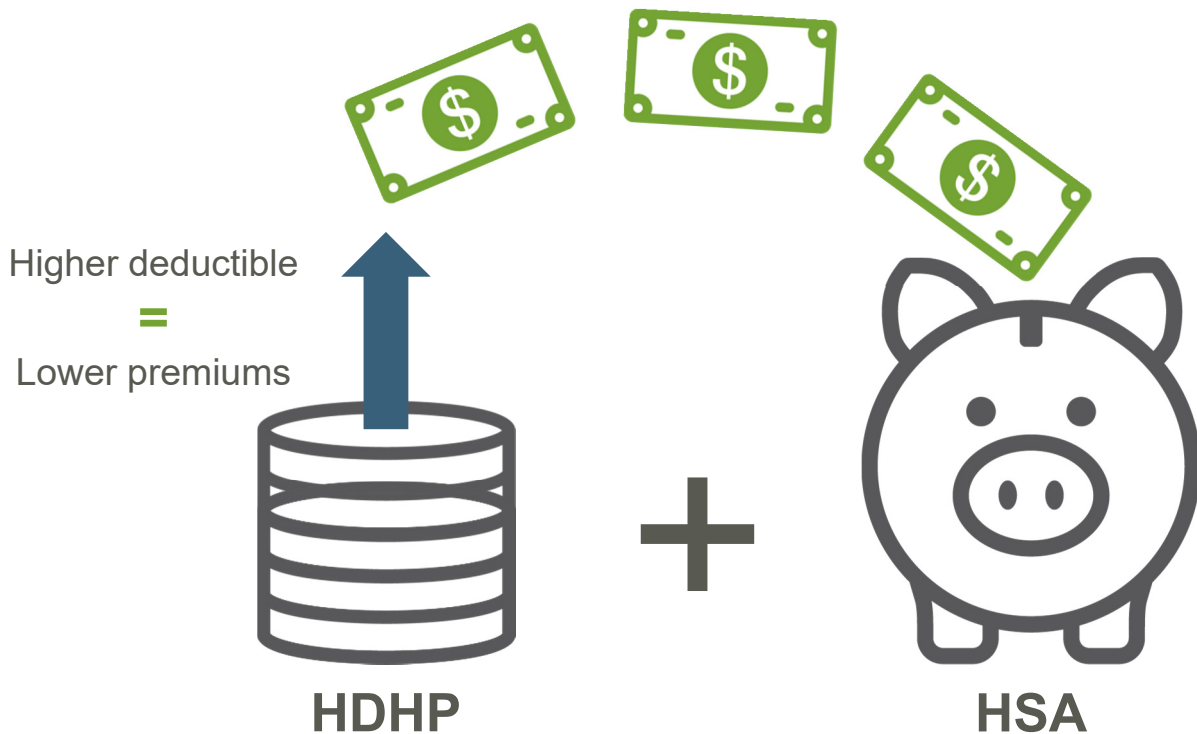
Learning Objectives

- ✓ Review the basics of HDHPs and HSAs
- ✓ Identify employer-based health care trends
- ✓ Recognize the differences in spending accounts
- ✓ Examine the HSA's history and growth
- ✓ Understand how the HSA works
- ✓ Realize what opportunities there are in the HSA marketplace
- ✓ Discover how versatile the HSA can be
- ✓ Ensure HSA program success

A woman with dark hair tied back, wearing a light-colored top, is sitting at a desk and pointing her right index finger towards a document. She is smiling and looking towards a man on the left. The man is seen from the side, wearing a dark shirt. The background is a plain, light-colored wall. The entire image is overlaid with a dark blue semi-transparent filter.

HDHP and HSA Overview

Shift to Consumer-Directed Healthcare



What Is a High Deductible Health Plan (HDHP)?



Minimum deductible



Maximum out-of-pocket



Permitted to pay
preventive care costs

What is a Health Savings Account (HSA)?



Not a use-it-or-lose-it account



Triple tax advantages



Pay for qualified medical expenses

Additional HSA Eligibility Requirements



HDHP



**Generally not
covered by
another
nonHDHP**



**Not enrolled
in Medicare**



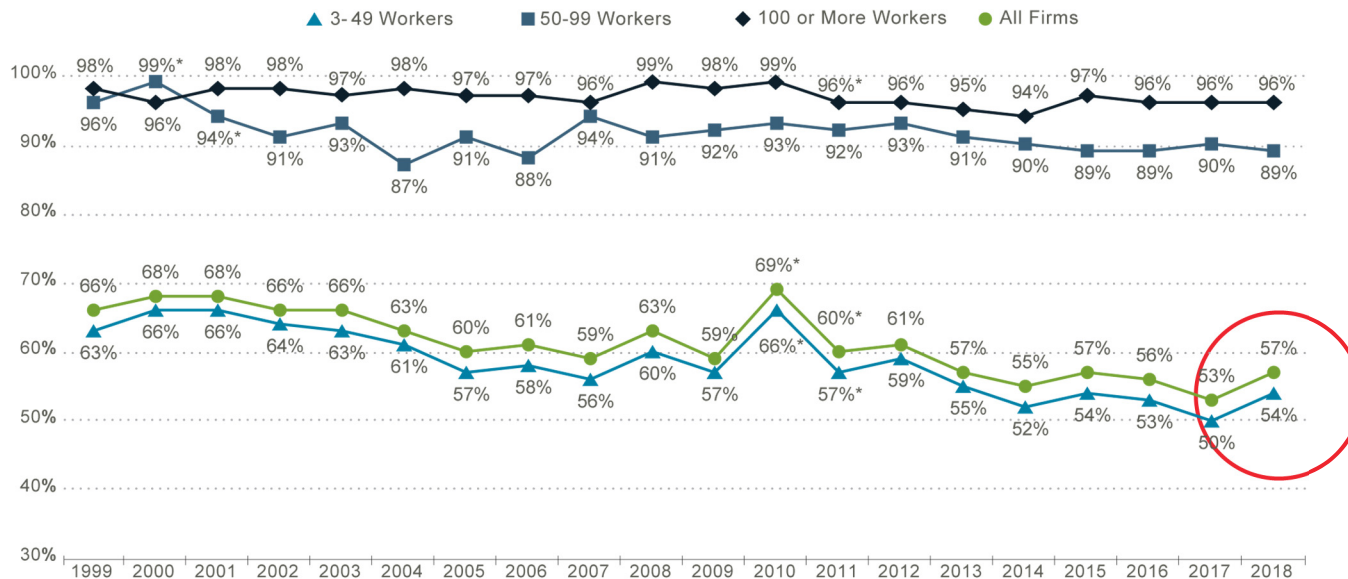
**Not eligible
to be claimed
as a dependent**

A dark blue, semi-transparent background image showing a woman on the right pointing her right index finger towards a document on a desk. She is smiling and looking towards a man on the left, whose profile is visible. The scene appears to be a professional meeting or consultation.

Employer Health Plan Trends

Employers Offering Health Insurance

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2018



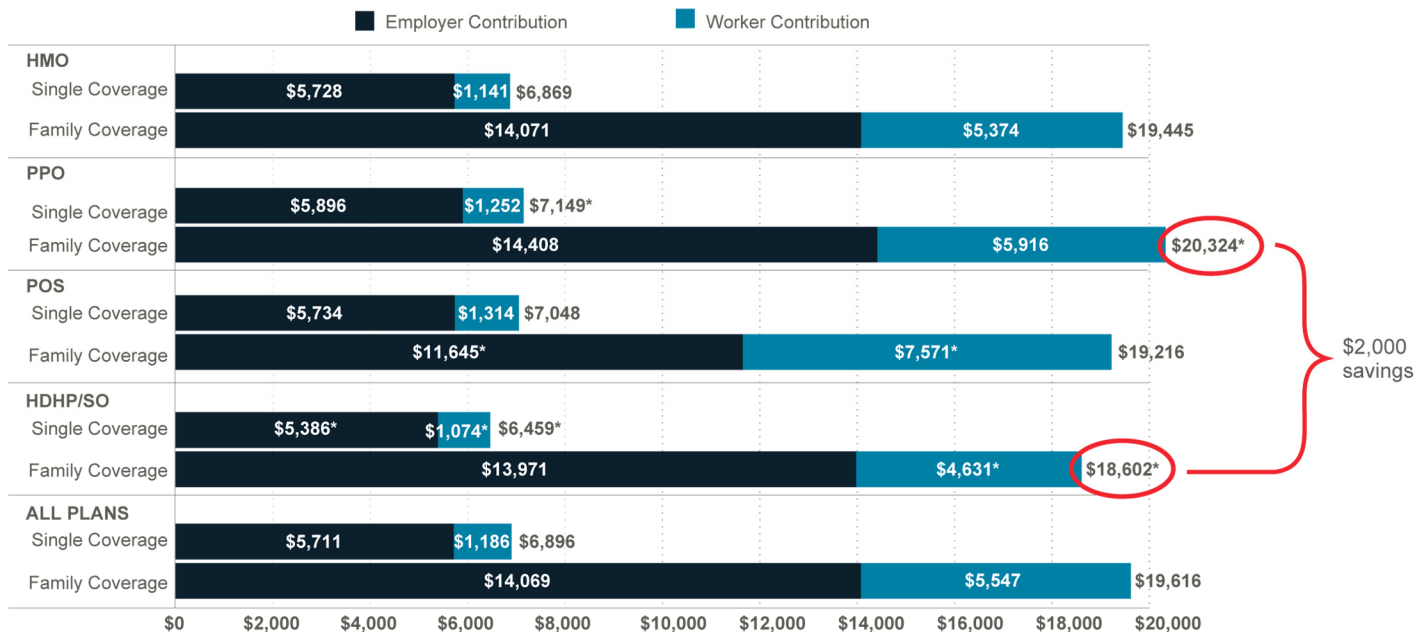
* Estimate is statistically different from estimate for the previous year shown .

NOTE: Estimates are based on sample of both firms that completed the entire survey and those that answered just one question about whether they offer health benefits.

Source: “Employer Health Benefits 2018 Annual Survey”, Henry J. Kaiser Family Foundation, October 3, 2018, <https://www.kff.org/report-section/2018-employer-health-benefits-survey-summary-of-findings>

Increase in Premiums

Average Annual Worker and Employer Premium Contributions and Total Premiums for Single and Family Coverage, by Plan Type, 2018

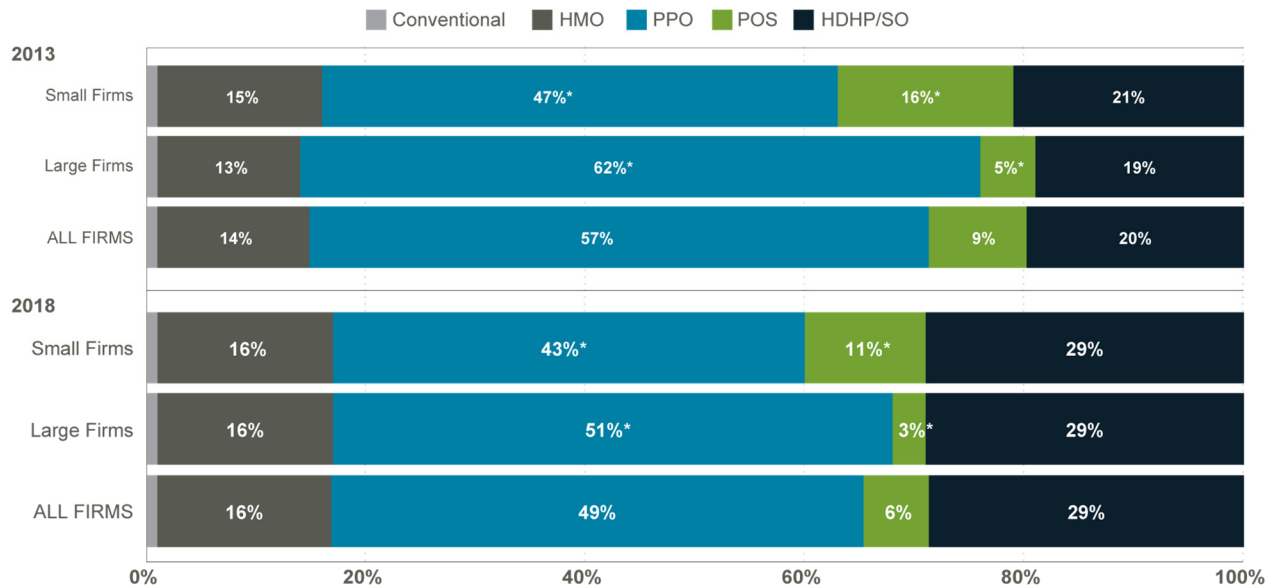


* Estimate is statistically different from All Plans estimate within coverage type.

Source: "Employer Health Benefits 2018 Annual Survey", Henry J. Kaiser Family Foundation, October 3, 2018, <https://www.kff.org/report-section/2018-employer-health-benefits-survey-summary-of-findings>

Rise of HDHPs

Distribution of Health Plan Enrollment for Covered Workers, by Plan Type and Firm Size, 2013 and 2018



*Enrollment in plan type is statistically different between Small Firms and Large Firms within year.

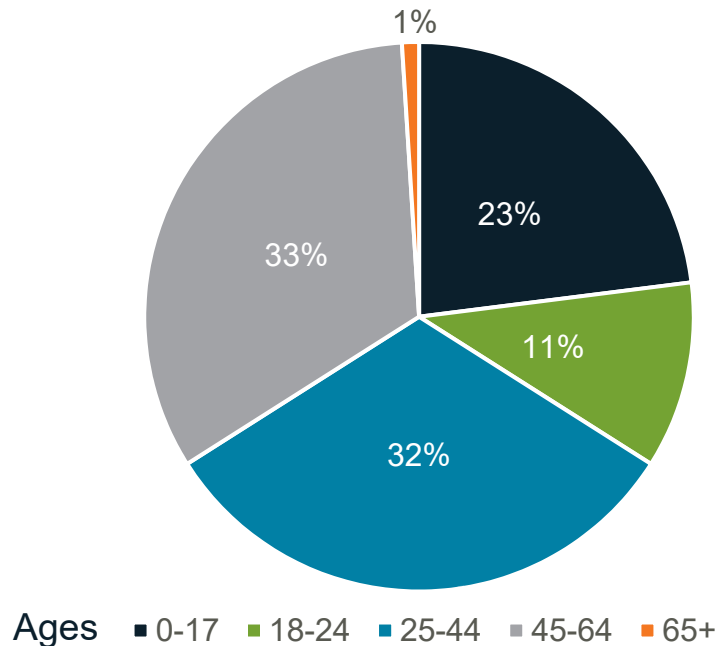
NOTE: HMO = health maintenance organization. PPO = preferred provider organization. POS = point-of-service plan. HDHP/SO is high deductible health plan with a savings option, such as an HRA or HSA. Small Firms have 3-199 workers and Large Firms have 200 or more workers.

Source: “Employer Health Benefits 2018 Annual Survey”, Henry J. Kaiser Family Foundation, October 3, 2018, <https://www.kff.org/report-section/2018-employer-health-benefits-survey-summary-of-findings>

HDHP Coverage

2017

- Millennials are natives to HDHPs/HSAs
- 66% of all HDHP-covered individuals are under age 45
- 33% of all HDHP-covered individuals are approaching retirement



Source: "Health Savings Accounts and Consumer-Directed Health Plans Grow as Valuable Financial Planning Tools", AHIP Center for Policy and Research, April 12, 2018, [https://www.ahip.org/search/?q=Health Savings Accounts and Consumer-Directed Health Plans Grow as Valuable Financial Planning Tools](https://www.ahip.org/search/?q=Health+Savings+Accounts+and+Consumer-Directed+Health+Plans+Grow+as+Valuable+Financial+Planning+Tools)



Differences in Spending Accounts

Spending Account Comparison

	Health Savings Account (HSA)	Flexible Spending Arrangement (FSA)	Health Reimbursement Arrangement (HRA)
Who can make contributions?	<ul style="list-style-type: none"> • Employer • HSA Owner/Employee • Others 	<ul style="list-style-type: none"> • Employer • Employee 	<ul style="list-style-type: none"> • Employer
How are contributions made?	<ul style="list-style-type: none"> • Direct deposit (employer) • Payroll deduction (employee) • Branch/on-line deposit 	<ul style="list-style-type: none"> • Payroll deduction (employee) • Employer contribution <p>NOTE: <i>Employer holds funds until claim is made</i></p>	Employer allocates dollars toward future employee claims. Does not require contributions to a separate account.
How are contributions taxed?	<ul style="list-style-type: none"> • Employer contributions treated as business expense and tax-free to employee • Employee payroll deduction reduces taxable wages • Other contributions deducted as part of MAGI calculation 	<ul style="list-style-type: none"> • Employer contributions treated a business expense • Employee payroll deduction reduces taxable wages 	Employer deducts claim payments as business expense; reimbursements are not taxable to employee

Spending Account Comparison

	Health Savings Account (HSA)	Flexible Spending Arrangement (FSA)	Health Reimbursement Arrangement (HRA)
Annual funding limits (2019 and 2020)	<ul style="list-style-type: none">• Self coverage: \$3,500 (2019), \$3,550 (2020)• Family coverage: \$7,000 (2019), \$7,100 (2020)	\$2,700 per employee	Determined by employer; no set limit
Annual funding deadlines	Employee's tax filing deadline (generally April 15)	Last payroll of the plan year	Does not apply. Employer guaranteed amounts available on first day of plan year
Who can access funds and how?	HSA owner and designees may access available dollars at discretion	Employees may access funds up to targeted contribution amount at any time	Employees may access the entire "guaranteed" amount at any time

Spending Account Comparison

	Health Savings Account (HSA)	Flexible Spending Arrangement (FSA)	Health Reimbursement Arrangement (HRA)
What expenses may be reimbursed?	<ul style="list-style-type: none">• IRS-qualified medical expenses may be reimbursed tax-free• Nonqualified expenses considered ordinary income; 20% penalty tax if under age 65)	<ul style="list-style-type: none">• IRS-qualified expenses only• Nonqualified expenses make all reimbursements taxable	<ul style="list-style-type: none">• IRS-qualified expenses only• Nonqualified expenses make all reimbursements taxable
Proving a qualified expense	<ul style="list-style-type: none">• HSA owner self reports through own tax filing (1099-SA)• HSA owner retains receipts in case audited in future	Employer may require receipts or use of approved debit cards	Employer may require receipts or use of approved debit cards

Spending Account Comparison

	Health Savings Account (HSA)	Flexible Spending Arrangement (FSA)	Health Reimbursement Arrangement (HRA)
Can the account be invested in mutual funds and other investment options?	Yes, similar to IRAs	No	No
Does the owner/employee receive interest or investment growth	Yes, growth is tax-deferred while in account. Becomes tax-exempt if used for qualified medical expenses	No	No

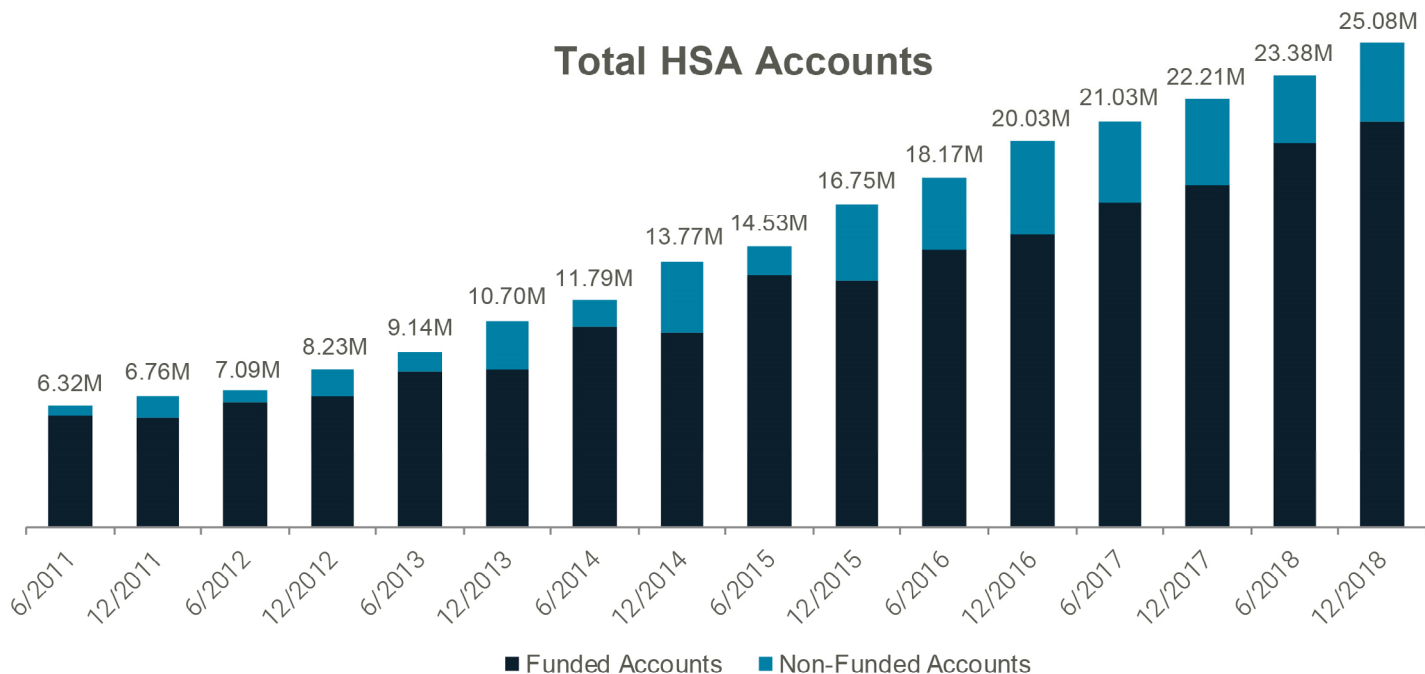
The background of the slide is a dark blue, monochromatic image of several US coins. A large, detailed coin is in the foreground, slightly to the right, showing the Lincoln Memorial on its reverse side. Other coins are visible in the background, some showing the obverse side with the Lincoln D. The coins are arranged in a way that suggests a stack or a collection, with some overlapping. The lighting is soft, highlighting the texture of the coins.

The History of the HSA

HSA History

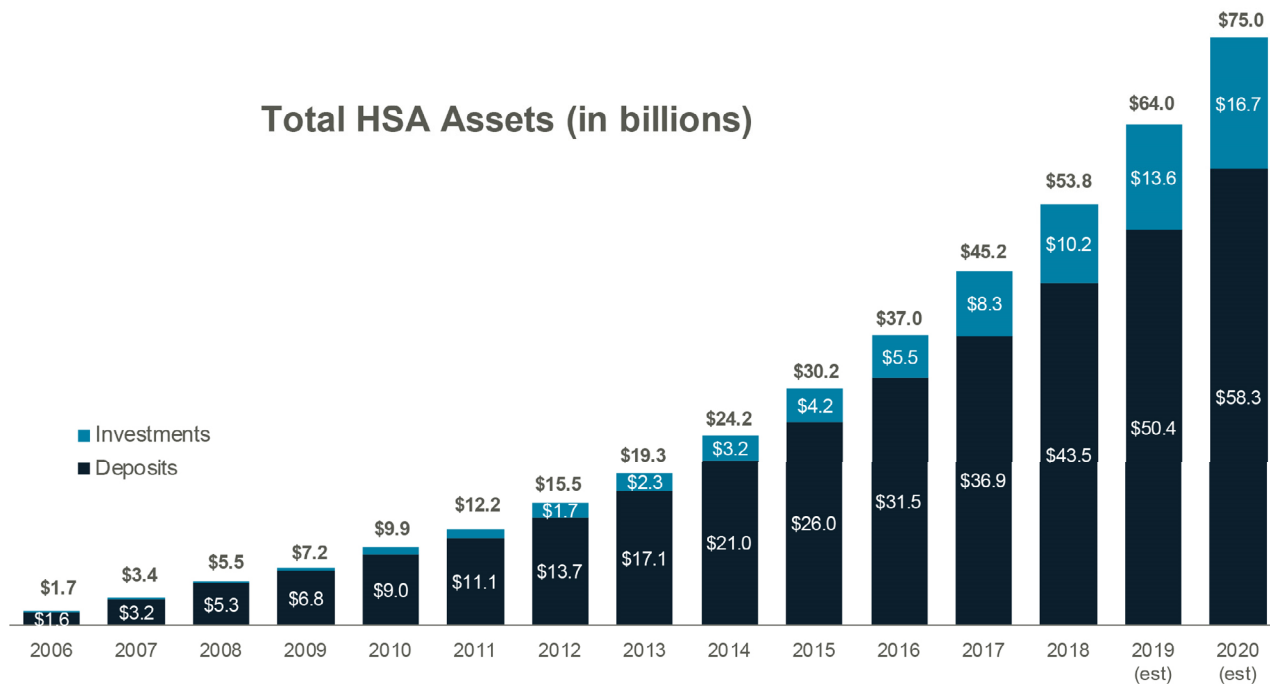


HSA Growth



Source: "2018 Year-End HSA Market Statistics & Trends Executive Summary," Devenir Research, February 27, 2019, <https://www.devenir.com/wp-content/uploads/2018-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>

HSA Asset Growth



Source: "2018 Year-End HSA Market Statistics & Trends Executive Summary," Devenir Research, February 27, 2019, <https://www.devenir.com/wp-content/uploads/2018-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>

Current HSA Statistics



25
million HSAs
(12/31/18)



HSA assets
surpassed
\$53 billion
in 2018



Average balance
of HSA accounts
that include
investments
\$14,617



\$10.2
billion invested in
nondepository
accounts

Source: "2018 Year-End HSA Market Statistics & Trends Executive Summary," Devenir Research, February 27, 2019,
<https://www.devenir.com/wp-content/uploads/2018-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>

HSA Contributions

2017

Average annual **employer** contribution to employee's HSA: **\$604 – 21%** of all contributions



Average annual **employee** contribution: **\$1,921 – 63%** of all contributions



Average annual **individual** contribution: **\$1,475 – 14%** of all contributions



2018

Average annual **employer** contribution to employee's HSA: **\$839 – 26%** of all contributions

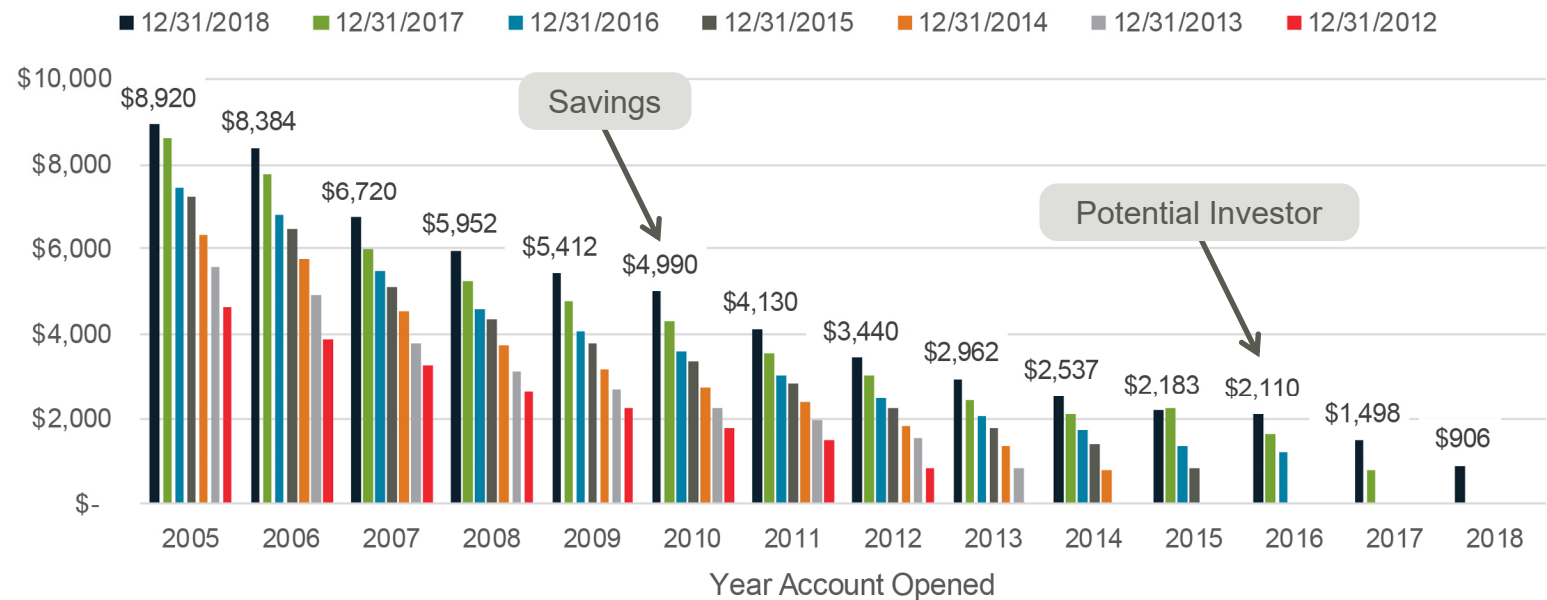
Average annual **employee** contribution: **\$1,872 – 57%** of all contributions

Average annual **individual** contribution: **\$1,723 – 13%** of all contributions

Sources: "2018 Year-End HSA Market Statistics & Trends Executive Summary," Devenir Research, February 27, 2019, <https://www.devenir.com/wp-content/uploads/2018-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>.

"2017 Year-End HSA Market Statistics & Trends Executive Summary," Devenir Research, February 22, 2019, <https://www.devenir.com/wp-content/uploads/2017-Year-End-Devenir-HSA-Market-Research-Report-Executive-Summary.pdf>.

Average HSA Balances



Source: "2018 Year-End HSA Market Statistics & Trends Executive Summary," Devenir Research, February 27, 2019, <https://www.devenir.com/wp-content/uploads/2018-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>

A woman with dark hair tied back is sitting at a desk, smiling and pointing her right hand towards a document. A man is sitting across from her, looking at the document. The scene is dimly lit, with the background being a solid dark blue. The text 'HSA Basics' is overlaid on the left side of the image.

HSA Basics

HSA Advantages



- Importance of “Day 1”
- Cost savings
- Tax advantage
- Covers wide range of expenses
- Flexible
- No use-it-or-lose-it rule
- Portable

Eligible Individuals



Covered by
an HDHP



Generally not
covered by
another
nonHDHP



Not enrolled
in Medicare



Not eligible
to be claimed
a dependent

HDHP Requirements

Minimum Annual Deductible	2019	2020
Self-Only Coverage	\$1,350	\$1,400
Family Coverage	\$2,700	\$2,800
Maximum Annual Out-of-Pocket	2019	2020
Self-Only Coverage	\$6,750	\$6,900
Family Coverage	\$13,500	\$13,800

Establishing an HSA



Lila and Wyatt's HSA



Lila's HSA



Wyatt's HSA

Why Ownership Is Important

Account owner determines

- How much is contributed to the HSA
- When contributions are made
- When to take distributions (including later reimbursements)
- Where the HSA is maintained (may be driven by employer for employer contributions and payroll deductions)
- When to invest HSA assets

HSA Contribution Limits

Regular Contributions	2019	2020
Self-Only Coverage Annual Limit	\$3,500	\$3,550
Family Coverage Annual Limit	\$7,000	\$7,100

Catch-Up Contributions



Age 55 or older
by December 31

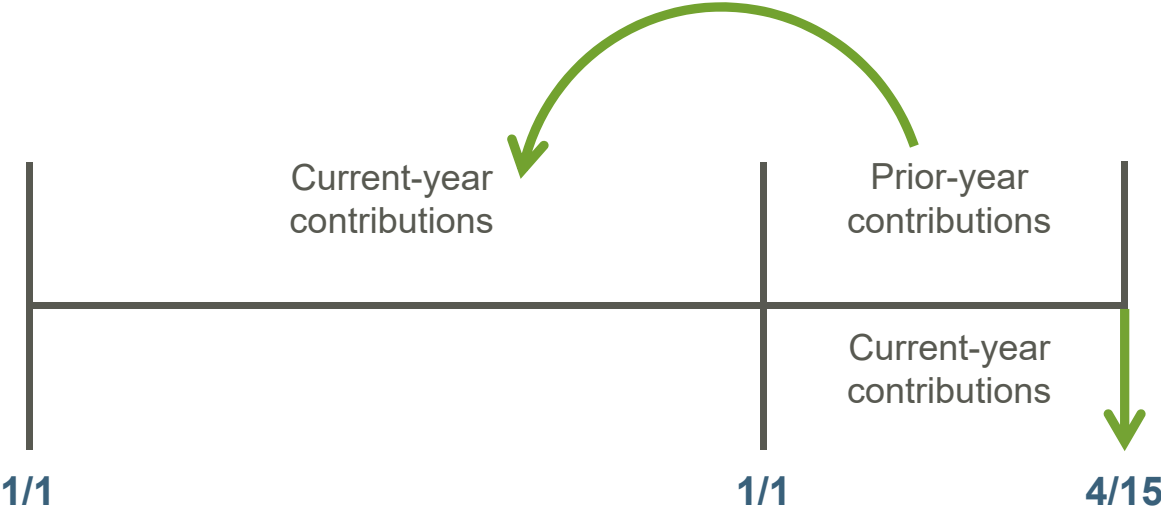


Contributions
may be prorated



Each spouse with
family coverage is
eligible to contribute
to own HSA

Annual Contribution Deadline



HSA Distributions



Payable on demand

Qualified Distributions



Qualified medical
expenses



No income taxes



No penalty taxes

Qualified Distributions

Medical expenses that are

- Incurred or paid by HSA owner, spouse, or dependents
- Incurred after HSA established (Day 1)
- Not covered by insurance

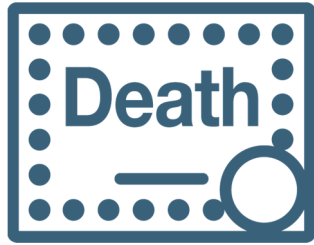


Qualified Distributions

- Allowed to pay for qualified medical expenses even if spouse or dependents are not HSA-eligible
- HSA owner determines if qualified
- **SAVE RECEIPTS!**



Penalty Tax Exceptions



Death



Disability



Age 65

Penalty Tax Exceptions

Insurance premiums – HSA assets generally cannot be used to pay insurance premiums. Exceptions include

- Actively receiving unemployment income
- COBRA continuation coverage
- Medicare premiums (direct pay or reimbursement)
 - Medicare supplemental policies are not eligible as qualified expenses
- Long-term care insurance

HSA Distributions

Withdrawal Methods	% Total Withdrawals	Average Transaction
Debit Card	88%	\$104
Check	2%	\$322
Online Bill Pay	3%	\$260
ATM	4%	\$68
Unknown	3%	\$202

Source: "2018 Year-End HSA Market Statistics & Trends Executive Summary," Devenir Research, February 27, 2019, <https://www.devenir.com/wp-content/uploads/2018-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>

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HSA Versatility

HSA as a “Medical IRA”?



Triple tax benefit




Ability to pay out of pocket now and reimburse later when funds are needed/desired (aka retirement)



Investment options

Where Are the Correlations?

	IRA	HSA
Can be used either for retirement or qualified medical expenses	✓	✓
Can benefit individuals working beyond normal retirement age	✓	✓
Can house same investments	✓	✓
Appeals to: <ul style="list-style-type: none">• baby boomers• generation X• millennials 	✓	✓

The First 10 Years

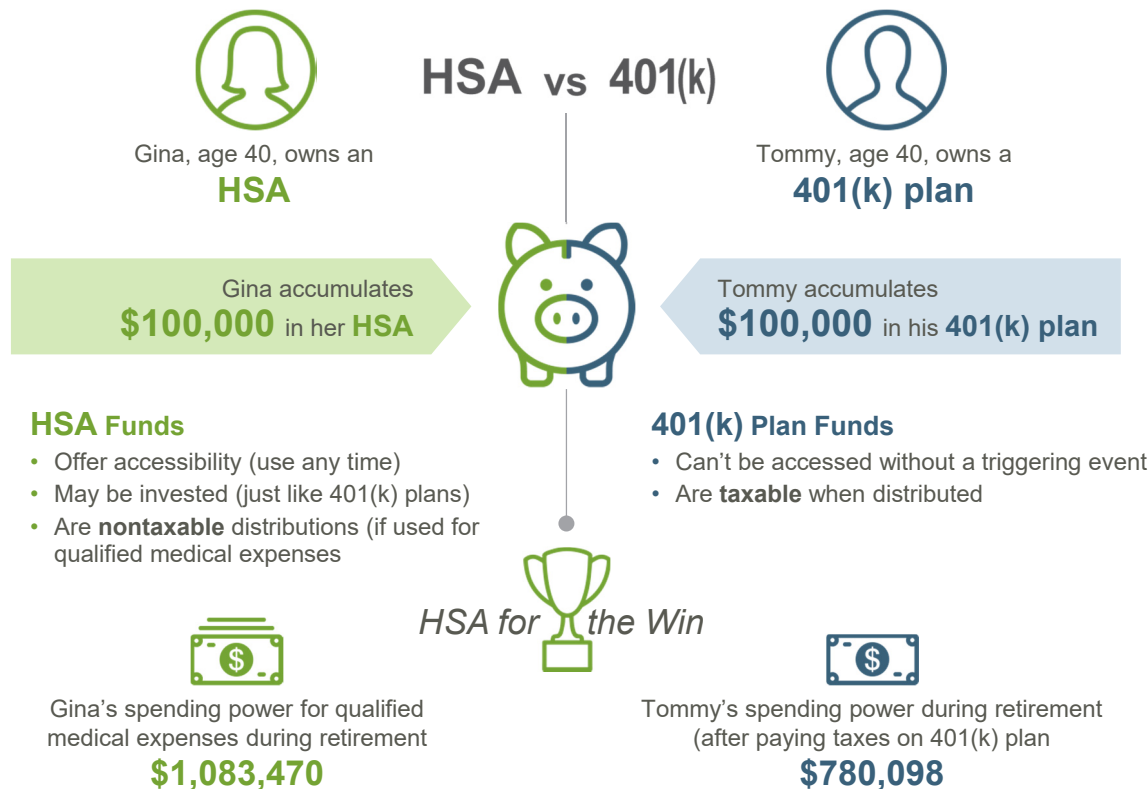
1975 IRA Data	1985 IRA Data	Increase
1.2 million tax returns reported deductible IRA contributions	16.2 million tax returns reported deductible IRA contributions	15 million
\$1.4 billion deductible contributions reported	\$38.2 billion deductible contributions reported	36.8 billion

2005 HSA Data	2015 HSA Data	Increase
Approximately 800,000 accounts	Approximately 16 million accounts	15.2 million
1 million HDHPs	20 million HDHPs	19 million
\$1.7 billion in total assets	\$30.2 billion in total assets	28.5 billion

Source: "2018 Year-End HSA Market Statistics & Trends Executive Summary," Devenir Research, February 27, 2019, <https://www.devenir.com/wp-content/uploads/2018-Year-End-Devenir-HSA-Research-Report-Executive-Summary.pdf>

HSA and 401(k) Plan Face Off

When it comes to healthcare expenses in retirement, which is the better contender?



The New Discussion for Employer Benefits

New questions during open enrollment

- Where should I place my deferral dollars first?
- Is there an employer contribution?
- Am I anticipating any critical expenses?
- How and when can I access funds?
- How can I increase contributions?
- Can I have multiple HSAs?
- Can I only make contributions through payroll?

HSA Versatility

- Additional retirement tax savings
- HSA dollars used for medical expenses/Medicare premiums not taxable/not includable in income (age 65 or later)
- **Distributions in retirement will not affect taxability of Social Security benefits** (Traditional IRA and 401(k) plan distributions will)

Single Filer Combined Income	Married Filing Joint Combined Income	Benefits Subject to Taxation
\$25,000 or less	\$32,000 or less	0%
Between \$25,000 and \$34,000	Between \$32,000 and \$44,000	Up to 50%
Greater than \$34,000	Greater than \$44,000	Up to 85%

HSA Versatility

Deduction for those who would not otherwise get one for their retirement plan contributions

- Deduction for individuals who cannot make deductible contributions to a Traditional IRA (nondeductible Traditional IRA contributions)
- Deduction for individuals who prefer to defer into Roth-based retirement plans (401(k) plan or IRA)
 - Tax-exempt growth maintained
 - Contribution may be tax-exempt

A dark blue, semi-transparent background image showing a woman on the right pointing her right index finger towards a document on a table. She is smiling and looking towards a man on the left, whose back is to the camera. The scene appears to be a professional meeting or consultation.

HSA Marketplace Opportunities

Opportunities

- Round out your product continuum
- Millennial-friendly product
- Deepen relationships with existing clients
- Noninterest revenue streams
 - Interchange fees on card swipes
 - Account fees
- Small business relationships
- Partner with local sellers of HDHPs to employers

Identify the HSA Owner Types

- HSA user: contributes extra each year and uses for ongoing medical expenses throughout year
 - Immediate tax breaks help them save now
- HSA saver: contributes close to or at maximum with minimum usage
 - Immediate tax breaks help save now
 - Funds that carry over provide emergency savings necessary for unexpected and expected future medical expenses
- HSA investor: contributes maximum and never uses
 - Immediate tax breaks help save now
 - Investments generate tax-free growth and assist in retirement planning

Employer Market Trends Affecting HSAs

- Small businesses represent greatest opportunity (between 10 and 99 employees)
- Mid-sized businesses shifting from managed care to HDHP (between 100 and 999 employees)
- Large employer seeking to switch from HRAs to HSAs (between 1,000 and 4,999 employees)
- Corporations focus on increasing participation in existing HSA programs (5,000 or more employees)

TPAs

Brokers



Healthcare Broker Preferences

Healthcare brokers prefer to sell an integrated HDHP/HSA solution at a rate of 61%. Overcome potential objections:

Why an integrated solution

- Cost efficiencies
- Pricing bundling opportunities
- One key contact
- Functionality between products
- Flexibility in plan design
- Better service and support
- Ease of administration
- Streamlined customer service

Why an independent solution

- Flexibility to change HDHP without affecting HSA usage
- Best-in-class solution
- Potential for HSA innovation
- Reduce risk with only one provider
- Price leverage
- Security

Source: "2017 Alegeus Broker and Employer CDH Insights Report Explores Key Stakeholder Insights," Alegeus, 2017, www.alegeus.com/insights/research-reports/2017-alegeus-broker-employer-research-report-explores-key-stakeholder-insights.

Initial Targets

Focus on current client base who knows you and then expand to outside referrals and contacts; employers with 100 employees or less.

- Current clients (build and develop referral system)
- Retail
- Manufacturing
- Service
- Sole proprietors

The goal is to sell business owners on the HSA benefits for themselves, then to attract and retain employees.

Important Employer Concepts

- Become the anchor HSA provider for the employer; provide key benefits to employer and your organization
- Employer should be able to elect to pay any minimum balance monthly fees for the employee
- Employer contributions can reduce employee anxiety when considering the deductible aspect of the health plan

Important Employer Concepts

- Employer can elect to change insurance providers without changing HSA providers
 - Employees do not need to deal with multiple HSAs and new fees (if applicable)
 - Payroll process can remain unchanged
 - Financial organization retains HSA owners

NOTE: *Not all health insurance brokers are pleased with the bundled HSA/HDHP products. Build your network.*

Expected Support from HSA Partner

Employers look at their provider to supply or support them in communicating with their employees.

The following list illustrates where an employer would seek assistance.

- Human resources and/or employee training sessions – 41%
- Outsourcing of employee communications – 35%
- Consultation on communication strategies – 30%
- Turn-key communication plans – 26%
- Customizable marketing and communication templates – 24%

Source: “2017 Alegeus Broker and Employer CDH Insights Report Explores Key Stakeholder Insights,” Alegeus, 2017, www.alegeus.com/insights/research-reports/2017-alegeus-broker-employer-research-report-explores-key-stakeholder-insights.



Ensuring HSA Program Success

Reasons Why HSA Balances Don't Grow

- Account usage
 - Revolving HSA
 - FSA user
 - HSA user
- New accounts
- Multiple accounts
 - Employer selects provider for payroll
 - Employees transfer for better rates/service/features
 - Employees transfer for better investment options
- Inertia

Educating Employees

According to a recent survey by Bank of America Merrill Lynch,
76% of employees say they understand how an HSA works...

but only **12%** could correctly identify the common attributes of an HSA!

Source: "2018 Workplace Benefits Report," Bank of America Merrill Lynch, July 2018,
https://www.bofam.com/content/dam/boamlimages/documents/articles/ID18_0771/2018_wbrbrochure_arsjr96.pdf

Education is the key to understanding HSAs

Were You Aware That You Could Invest Your HSA?



Source: "2018 WEX Health Clear Insights Report: Easing Workers' Concerns About the Rising Cost of Healthcare," WEX Health, 2018, https://retire.massmutual.com/retire/email/business/wex_health_clear_insights_report.pdf?utm_source=PA&utm_medium=link&utm_campaign=T3-18&utm_content=WEX_Health_Clear_Insights_Report.

To Be Successful

- Ensure compliant and efficient operations are in place
 - Educate staff
 - Audit transactions internally
 - Ensure employer process is easy to use
 - Be available for questions (branch/call center/web/chat)
 - Understand when resource increases will be needed
- Educate employer and employee (both are your customer)
 - Strong enrollment materials and potential on-site or web-based educations
 - Go beyond enrollment



To Be Successful

- Public education through your web site
 - Current customers can help drive employer referrals
- Have larger long-term health and benefit discussion
- Stay in touch
- Build referrals
- Keep up to date on legislative and regulatory changes



Questions?

Thank you for attending

Maximizing Your HSA Business Opportunities



We Appreciate Your Opinion

Please complete the electronic course survey for this course located on the Ascend 2019 mobile app.



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