Can You Answer The Most Common HSA Objections?

Cost conscious California business owners are asking about alternatives to long-dominant HMOs and PPOs, such as consumer-directed health plans and health savings accounts (HSAs). But, for many employers, the HSA is still a relatively new concept and represents a major change from their current plan.

Not surprisingly, many employers and benefit advisors ask challenging questions and express doubts about the merits of offering a consumer-directed health plan paired with an HSA.

Here are some of the most common objections I hear from business owners and brokers in California and some ideas on how to respond.

1. Objection: HSAs Don’t Really Save Money for Employers or Employees

HSA-eligible health plans typically have lower premiums than do other plans because of their higher deductibles. Premiums for family coverage with an HSA-qualified high-deductible health plan average $2,350 less than family coverage under a PPO plan, according to the 2010 Employer Health Benefits Survey by The Kaiser Family Foundation and Health Research & Educational Trust.

Doug Ramstadt, a benefits consultant with Burnham Benefits in Orange County said, “Employees’ biggest fear is the high deductible. To address their concerns, I emphasize net costs. I use a health cost estimator and other tools that compare the costs of HSAs, HMOs, and PPOs. I also show them hypothetical examples of the overall costs of an HSA for an employee with low, medium, and high claims.”

Today’s heightened focus on cost control can make HSAs an easier topic to broach because their affordability is a key attraction. Fifty-six percent of 500 HSA owners surveyed nationwide last year by OptumHealth said they selected a high-deductible health plan with an HSA because it was the most affordable health insurance choice.

HSAs also offer significant tax advantages and savings for employers and employees. It’s important to get expert advice or consult your state department of revenue for the specific rules since tax treatment of contributions to the accounts differs among states. For example, California taxes eligible HSA contributions. Generally, earnings on the accounts are not included in gross income and distributions from HSAs that are used to pay for qualified medical expenses are excludable from gross income.

2. Objection: HSAs Are Too Complicated for Employees to Understand And Use

It takes education and patience to get employers and employees on board, says benefits advisor Sonny Peach with Professional Choice Insurance in Irvine, Calif., “Employers worry that employees will tie up the human resources department all day long with HSA questions.” Peach goes the extra mile to make the process simpler. He hired a staffer to help
field questions from his clients and their employees. The staffer also helps with claims processing and explanation-of-benefits forms. “We walk employees through the process; help set up their accounts with debit cards or checks; and even provide cost comparisons of local hospitals.”

One tried-and-true approach, during open enrollment season, is to focus first on the health plan. Next, introduce the HSA separately as a bank account that enables employees to spend and save for qualified medical expenses. Comparing HSAs to 401(k) plans may be useful for some groups.

Benefit advisors should select HSA custodians and carriers based on the educational and enrollment support they can provide, from printed materials to online support. First-rate, ready-to-go marketing brochures not only relieve advisors from having to create materials themselves, but they also enable polished presentations during benefit enrollment meetings.

3. Objection: Brokers’ Commissions Will Suffer Since Consumer-Directed Health Plans Typically Have Lower Premiums

“HSAs may indeed mean lower commissions for brokers. But if your client is best served with a high-deductible plan, that’s how you retain the client. This business is about doing what’s best for your client, not just what’s best for your pocketbook,” Peach said.

Peach notes that nearly all of his clients have high HSA participation rates, particularly law firms, accounting firms, consultants and high-tech companies. “And we have a very high retention rate with our clients,” he adds. Peach says that HSAs can give brokers an edge over competitors who sell more traditional high-priced, high-premium plans to a shrinking market.

Ramsthel of Burnham Benefits says, “In this tough economy, employers are desperate to lower their healthcare costs. If you don’t introduce HSAs to your client, someone else will. And then you may find yourself losing more than just the client’s health insurance business to that other broker. If you are truly a benefits consultant, then be one.”

4. Objection: High Deductible Health Plans Are Best Suited for the Young, Healthy or Wealthy. We Employ Mostly Middle-Aged Workers, Some Of Whom Have Heart Ailments And Other Serious Medical Conditions

HSAs primarily serve families and individuals across a wide age distribution, not just those in their 20s and 30s. More than 10 million Americans are covered by HSA-eligible plans including more than 2 million children, according to a 2010 report by America’s Health Insurance Plans.

In 2007, OptumHealth Bank matched more than 300,000 HSA holders, by zip code, to U.S. Census tract data with an average household median income of $69,000. Seventy-five percent of such households have income of less than $84,000 and 25% have income of less than $49,000.

Even those with chronic conditions can benefit from HSAs. Ramsthel, who is 46 years old and a cancer survivor himself, notes that even during his cancer follow-up, when he had substantial medical bills, his healthcare costs actually decreased when he switched from a PPO plan to a high-deductible health plan paired with an HSA. While his deductible increased after making the switch, he saved through lower premiums and no co-payments for doctor visits.

5. Objection: I’d Rather Keep The Premium Savings Instead of Contributing Them to My Employees’ Accounts

Peach urges his clients to contribute at least some portion of the savings to their employees’ HSAs – first, because of the tax advantages. “A $100 contribution may actually be the equivalent of $70,” he explains. Beyond the tax savings, employer contributions generate good will among employees and motivate them to engage in the plan, he adds.

Statistics bear him out. The presence of an employer contribution significantly affects how many eligible workers will open an account. When an employer contributes, 86% of the employees open an HSA, compared to only 27% without an employer contribution, according to a 2008 United Healthcare and OptumHealth Bank study.

Roughly 40% of firms that offer high-deductible health plans with HSAs contribute to their employees’ HSAs, according to the 2010 Employer Health Benefits Survey by the Kaiser Family Foundation and Health Research & Education Trust. The average contributions are $858 for single employees and $1,546 for family coverage, the survey reported.

Ramsthel offers creative ways for clients to make contributions. For example, he suggests that, instead of contributing $50 per month, business owners make quarterly contributions of $150 to help offset the initial cash flow crunch in the beginning months of the plan year as employees go through the deductible.

Another recommendation is for employers to make the entire year’s contribution up front at the beginning of the plan year to help defray employees’ costs. “After the first year when employees have adjusted to using the HSA, the employer can go back to making monthly HSA deposits,” he says.

Ramsthel and Peach admit that they sometimes run into resistance when discussing HSAs. But the key motivation behind their HSA marketing and sales campaigns is the payoff in client loyalty and retention, as well as the new referrals that HSA sales generate.

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