



Health Savings Accounts

Key Decision Points on HRAs/HSAs

Here are key questions to think about for an employer considering HRAs or HDHP/HSAs:

Determining Objectives for the Company

- Is your primary goal to save money on health costs or to move toward employee-driven health care decisions?
- What is your strategic timeline for making these changes?
- How much ground have you plowed with employees in helping them understand the magnitude of the health premium costs' effect on your business – and ultimately on employees' financial security?
- How will your choice of health care plans affect the recruiting and retaining of talent?
- What is your corporate culture today and how well does your organization embrace change? Company characteristics that influence the ability to introduce HSAs include paternalistic culture, high turnover, communication ability and recent major changes in workforce or benefits.
- What characteristics of employees would tend to make them more interested in one approach or another? Age, gender, time at company, personal situations, number of dependents, salary? How well do you know what your employees want?

Questions on Plan Design

- Should you replace an existing traditional plan or do a side-by-side? How would you position HDHP/HSA relative to other health coverage?
- How would you integrate an HSA into your plan?
- Where will you set the deductible?
- Will you contribute to employee savings accounts, and if so, how much?
- How much will you, the employer, be charged in administrative fees, and how much of that will you pass on to employees?



Pros:

- Greater individual control over health care dollars
- Increased consumer decision-making, potentially leading to healthier lifestyle
- Incentives for individuals to save for health care expenses they will encounter in retirement
- Better tools (online and through dedicated phone support) for making more informed health care choices
- Debit cards and checking accounts to speed reimbursement for employees, save paperwork for employers
- Savings for employer on HDHP premiums. Companies often save enough through the higher deductible that they are able to contribute to the savings accounts.
- For employers, HDHP design preserves distance from first-dollar coverage.

Cons:

- Little product maturity or actuarial evidence yet for HSAs
- Effects on usage and costs unknown for HSAs
- Tremendous communication challenges in shifting costs, risks and responsibilities to employees
- Time-consuming effort for a company to implement
- Continuing administrative hassles and some state laws to be addressed