



Are your employees selecting the right health plan?



When employees do not understand their health plan options and the factors that influence health plan selection, they could end up making a costly mistake. Selecting the “wrong plan” may cause employees to pay more without getting more coverage or benefits in return.

As an employer, ensuring that your employees are well educated to make the best decision will ultimately lead to more engagement and productivity that can positively impact your company’s bottom line.

It is important for employees in all stages of life, including those planning for retirement, to understand the differences in health plan types and how certain features might impact them financially.

A recent HSA Bank survey¹ of 100 human resources (HR) executives showed that only 10 percent are “very confident” that their employees understand the choices they are making with health insurance, while 75 percent believe employees are “somewhat confident.” This is not enough; raising employee confidence in plan selection through more effective education should be a top priority for HR professionals.

The health insurance plan that employees select will have a major impact on their physical and financial health. It will determine the in-network providers, covered treatment plans and prescription drugs, as well as the premium, deductible, and out-of-pocket costs. Employees should be very confident that they are making the best choice for them and their family.

How confident are employers that their employees understand the choices they make when it comes to health insurance?



¹ Results from a proprietary third-party survey commissioned by HSA Bank, April 24-26, 2018, surveying 100 human resources and benefit professionals.

What does it mean to select the right plan?

The right health plan provides sufficient coverage for the unique healthcare situation of the employee and their family while balancing cost. As with any insurance coverage, selecting a health plan involves balancing a tolerable level of risk with coverage and price.



Some consumers prefer to pay more up front in order to have a lower deductible or out-of-pocket maximum, while others prefer to pay less up front with the chance of a higher deductible or out-of-pocket maximum. Whatever decision consumers make, it should be purposeful and educated.

Did You Know?

Most health plans, including high deductible health plans (HDHPs), must cover preventative health services without patient cost sharing.

This should be clearly communicated to employees as part of the ongoing communication plan.

Why people choose the wrong plan

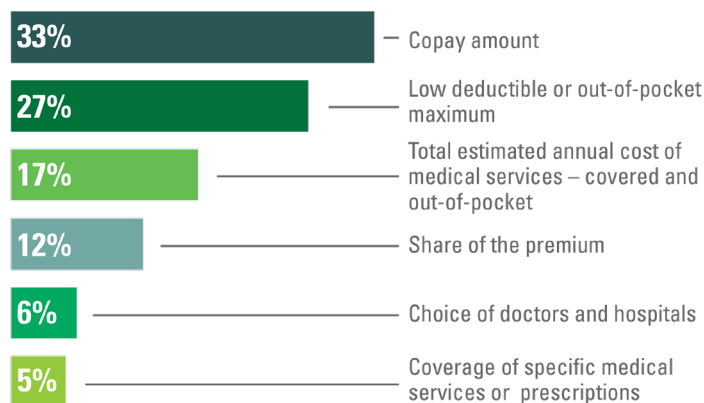
Consumers can end up selecting the wrong plan for several reasons: uncertainty about plan cost sharing amounts, fear of a high deductible or out-of-pocket maximum, and lack of plan evaluation.

Uncertainty about plan cost sharing amounts and their impact

According to HSA Bank's Health & Wealth IndexSM, 35 percent of consumers are not aware of their health plan's cost-sharing amounts, including the copay, deductible, and out-of-pocket maximum.² Without understanding the financial implications of cost-sharing amounts, consumers are not prepared to make educated decisions about their health plan.

According to an HSA Bank survey, 33 percent of HR executives believe that the copay amount is most important when selecting a health plan, and 27 percent believe that a low deductible or out-of-pocket maximum is most important.³ However, HSA Bank believes that the total estimated annual cost of medical services (covered and out-of-pocket) should be the most determinative factor when selecting a health plan; this is a better representation of actual annual healthcare expenses. Seventeen percent of the employers surveyed agreed.

In your opinion, what is most important to employees when selecting their health plan?



Note: The estimated total annual cost takes into consideration the guaranteed premium costs that individuals will face for healthcare; the copay, deductible, and out-of-pocket maximum are variable costs that may not occur.

² "HSA Bank Health & Wealth IndexSM." HSA Bank. March 7, 2018. <http://www.hsabank.com/hsabank/learning-center/hsa-bank-health-and-wealth-index>

³ Results from a proprietary third-party survey commissioned by HSA Bank, April 24-26, 2018, surveying 100 human resources and benefit professionals.



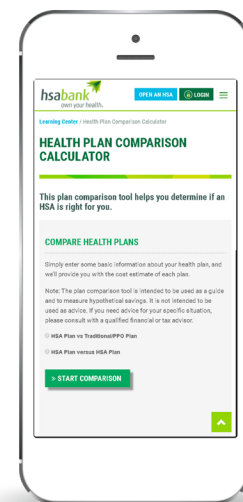
How to choose the right plan

The right plan provides sufficient coverage for an individual's or family's unique healthcare situation while balancing cost. When evaluating health plan options, many factors should be taken into consideration, including:

- Monthly premium (fixed cost that is guaranteed)
- Copays
- Coinsurance
- Deductible (usage-based variable cost)
- Out-of-pocket costs (usage-based variable costs)
- Employer contributions to an HSA, if applicable
- In-network providers
- Income
- Potential tax savings
- Ability to save
- Medical needs

When employees are estimating the medical services and prescriptions they expect to use in the coming year, it can be helpful to view claims from last year and use them to make a list of services or prescriptions they expect to use in the coming year. Then they can estimate what these services will cost on each plan.

Using a health plan comparison tool, like the one offered by HSA Bank at hsabank.com/compareplans, can help employees evaluate their plan options. For each plan offered, employees can estimate various healthcare scenarios, such as no healthcare expenses, about the same as last year, and expenses equal to the deductible or out-of-pocket maximum.



Fear of a high deductible or out-of-pocket maximum

When employees see the cost of the deductible or out-of-pocket maximum associated with the HDHP option, they are sometimes deterred from considering that plan—even though it may be their most cost-effective option.

Various studies have shown that some consumers select a health plan with a lower deductible even when they would have saved money and received the same services if they had selected a plan with a high deductible (regardless of spending on medical expenses).⁴ An HSA Bank survey showed that employers believe a low deductible or out-of-pocket maximum is the second-most important factor to employees when selecting a health plan, after the copay amount.⁵

It is important not to rule out a plan based on the deductible or out-of-pocket maximum. Both employer and employee contributions to the HSA will impact the employee's ability to pay these costs. Among employers who provide HSA contributions, the average employer HSA contribution is \$795 for single coverage and \$1,417 for family coverage per employee annually.⁶ Employees should factor in the HSA contribution they can make themselves, including savings from lower monthly premiums. If employees have enough HSA savings to cover all or most of a deductible, the variable plan costs will be much more manageable if they arise.

Lack of plan evaluation

Many employees do not take enough time to review their health plan options and do not make informed decisions based on their current options and circumstances. Eighty percent of employees spent less than one hour, and 57 percent spent less than 30 minutes researching their options during their last open enrollment session.⁷ Nearly all (93 percent) of employees typically choose the same benefits (in terms of medical, dental, and vision) year after year.⁸

Selecting health insurance is like making any other large purchasing decision such as buying a car or planning a home-remodeling project. However, many people do not view their healthcare expenses the way they view other purchases.

⁴ "Why So Many People Choose the Wrong Health Plans." *New York Times*. November 4 2017. <https://www.nytimes.com/2017/11/04/business/why-choose-wrong-health-plan.html>

⁵ Results from a proprietary third-party survey commissioned by HSA Bank, April 24-26, 2018, surveying 100 human resources and benefit professionals.

⁶ "Employer Health Benefits 2017 Annual Survey." *Kaiser Family Foundation & Health Research & Educational Trust*. September 2017. <https://www.kff.org/health-costs/report/2017-employer-health-benefits-survey/>

⁷ "2016 Aflac Open Enrollment Survey." *Aflac*. August 2016. https://www.aflac.com/docs/awr/pdf/2016-overview/2016.open_enrollment_overview.ic.pdf

⁸ "2016 Aflac Open Enrollment Survey." *Aflac*. August 2016. https://www.aflac.com/docs/awr/pdf/2016-overview/2016.open_enrollment_overview.ic.pdf



Steps employers can take to help employees make the right decision

1. Encourage employees to use a health plan comparison tool.
2. Have a defined communication plan based on your employee population.
3. Work collaboratively with your benefits consultant. With hundreds of different benefit providers and varying levels of coverage and cost, the process of choosing a benefits plan that is both cost effective and high quality has become an incredibly specialized field.
4. Start the conversation early about health plan choices and how to evaluate plans.
5. Help employees make the right decision for their situation by offering dedicated one-on-one and group time, either virtually or in person, for employees to ask questions.
6. Provide education year-round about how to not only select plans but also best utilize the plan chosen.

Health plan decisions are complex, and it is common for employees to make the wrong decision based on uncertainty about plan cost sharing amounts, fear of a high deductible or out-of-pocket maximum, or lack of plan evaluation. With so many factors to consider, it is essential for employers to provide employees with the tools necessary to evaluate plan options properly. Educational resources and plan selection tools help employees understand the significance of their decision and its impact on their physical and financial health. Employers can find additional support through their HSA provider and benefits consultant to educate employees and help them make the most of their benefits. Most importantly, employers and employees should recognize that although these decisions are difficult, it is better to make progress toward understanding health plan choices and improve confidence in health plan selection each year than to do nothing.

Once enrolled in the plan, it is important for employees to maximize the medical benefits received in relation to the cost. Employees can do this by inquiring about costs before receiving medical services.



About HSA Bank

HSA Bank is a trusted leader in consumer-directed healthcare (CDH), focusing on Health Savings Accounts (HSAs) for over two decades and serving as both the bank and administrator. Discover how we can support your benefits strategy with our comprehensive account-based health benefit solutions that include HSAs, Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), Commuter Benefits, and COBRA Administration. With a reputation for outstanding service and thought leadership in the CDH space, we offer one platform and one portal for all of our members. HSA Bank inspires nearly 2.7 million members and more than 35,000 employer groups to own “your” health by making it easy to access, understand, and afford healthcare. As of June 30, 2018, HSA Bank had \$7 billion in total footings comprising \$5.5 billion in deposit balances and \$1.5 billion in assets under administration through linked investment accounts. HSA Bank is a division of Webster Bank, N.A., Member FDIC.



To learn more about helping your employees select the right health plan, contact our Business Relations team at 866-357-5232 or businessrelations@hsabank.com.

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