Health Savings Account Administration Best Practices

10 Secrets to Running a Successful Benefits Program
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Summary

When administered correctly, HSAs can serve as a valuable investment into your employees’ health and financial well being. They can also help companies strengthen their consumer-directed portfolio and ultimately reduce the cost of providing benefits. Taking the following best practices into consideration will help you take full advantage of everything that HSAs can offer.

1. Avoid plans that charge incremental fees

Some HSA administrators will charge the employer or their employees for account maintenance and basic transaction activities in order to reduce the per participant fee. A few vendors even charge for account opening and closing fees.

While charging the employer for these basic services may temporarily reduce the initial sticker shock, over the long term these costs can really add up. On the other hand, if an HSA administrator charges the employee it could have a detrimental effect on participation rates and employee satisfaction.

By offering an HSA program without charges for account maintenance or transaction activities, you will create a more attractive benefit and ultimately strengthen your consumer-directed strategies.

2. Be prepared for the inevitable

As the law stands today, neither the plan sponsor nor the plan administrator hold the responsibility for ensuring that the HSA participant uses their funds for eligible expenses. This is one of the fundamental differences that sets HSAs apart from FSAs or HRAs. However, keep in mind that if the IRS suddenly decides to regulate HSAs in the same way it regulates FSAs and HRAs, banks and health plans will need to scramble to develop compliant adjudication technology. When evaluating various HSA vendors, make sure you take into consideration your vendor’s ability to distinguish between eligible and ineligible expenses.

TIP: Ask for a demonstration of each vendor’s substantiation and adjudication process.

3. Make sure your vendor’s online enrollment is integrated with the custodian bank’s

Not all administrators offer a platform integrated with a bank custodian. This can lead to a disjointed and often frustrating experience for employees. Make sure the HSA administrators you evaluate have the ability to offer a seamless user experience (i.e., single sign on technology). Ultimately, you want your employees to sign into one Web site to administer all aspects of their HSA, including the allocation and distribution of funds.
4. Select an HSA administrator that will own the custodian relationship

The HSA administrator you select should manage the custodian relationship for you, eliminating the need for you to be involved in the day-to-day account management activities. Remember, one of the main goals of hiring an HSA administrator is to facilitate the job of your benefits managers so they can focus their valuable time on your employees and not their paperwork.

5. Understand what differentiates HSA administrators in the marketplace

HSA administrators typically fall into three categories: third-party vendors (such as WageWorks), health plans/health insurance providers, and banks. Understanding the strengths and weaknesses of each of these administrative vendors is essential to developing an effective consumer-directed benefits portfolio.

When the IRS approved HSAs in 2004, health plans took the initial market leadership by bundling them with their in-house high deductible health plans (HDHPs). Employers liked this option because having a single vendor for health plans and HSAs seemed like a good idea. However, HSA administrative technology and pre-tax customer support were not most health plans core competency, and many health plans failed to deliver in these areas. Ultimately, this made the transition towards a consumer-directed benefits portfolio more difficult for employers and their already hesitant employees. Furthermore, when an HSA is tied to a health plan and a company wants to change carriers, benefits managers have to coordinate with their employees to transfer the account balance. This can often lead to confusion and frustration for all parties.

Similarly, banks have leveraged their close relationships with financial officers to bundle HSA programs into their banking portfolio. Their primary motivation for offering HSAs was the core bank account and the hope of cross selling other bank products to that account holder over time. As you might expect, many employers ran up against similar technology and service limitations as did those that simply added HSAs to their health plans; their administrative technology and understanding of the customer service necessary to run a successful HSA program was not their core competency. Furthermore, most banks looked at HSAs as a bank account and did not completely understand the relationship to health plans. Consequently, many of the original players are now out of the HSA game.

When it comes to third-party HSA administrators, many are still struggling to learn how their HSA services fit into the broader picture. Unless their platform is integrated with a bank custodian, their service model can often lead to a disjointed experience. Furthermore, if pre-tax administrative services are not a vendor’s core competency, the HSA solution they offer may be no better than that of a health plan or bank custodian.

The latest market research shows that employers want maximum choice and flexibility in their healthcare network. They want to have the option of offering multiple HDHPs while also maintaining a uniform consumer-directed health care (CDHC) approach that provides the best service possible. When weighing the features and benefits of carriers, banks and third-party administrators, make sure you obtain a solid understanding of their customer service and technological capabilities as well as the consequences of switching health plans or banks.
6. **Look for vendors that can offer multiple consumer-directed accounts on a unified platform** (e.g., FSA, HSA and HRA)

Nobody needs another username and password. Providing a single access point as well as the same look and feel to these accounts makes life easier for everyone involved (e.g., one login, one password, one account manager). It also allows you to offer a unified healthcare account experience to all your employees and not just those who elect the high deductible health plan.

Those vendors that do not offer a unified platform for consumer-directed spending accounts (e.g., HSAs, HRAs and FSAs) often suffer from lack of integration and messaging for their customer service support and communications tools.

Having one vendor for participants to reach out to can help eliminate confusion and increase employee satisfaction. But remember, automatically lumping all programs into a health plan or bank that does not specialize in consumer-directed programs can also be detrimental to a program’s success.

**TIP:** Interfacing with one supplier can often save you money, so make sure to ask about discounts associated with offering multiple programs.

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7. **Develop a targeted and tailored communications campaign with effective decision-support tools**

The success of any healthcare program depends largely upon an administrator’s ability to educate employees. However, this is even more critical for consumer-directed health care where employees typically require more assistance to make an informed financial decision.

By selecting an HSA administrator that offers a tailored communications campaign and the right decision-support tools, your employees will be able to navigate past the perceived complexities, costs and risks of consumer-directed healthcare programs. This will ultimately empower your employees to truly understand the financial advantage of the benefit you are providing.

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8. **Make sure your benefits are easy to access and administer**

Offering online access to account information and enabling your employees to transfer funds or make payments anytime or anywhere can significantly increase participant satisfaction. Make sure your HSA administrator provides your employees with multiple ways to access their accounts (e.g. online, IVR, and toll-free customer service).

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9. **Don’t just offer an HSA, develop a comprehensive consumer-directed health care strategy**

Companies that take a broader, creative approach to managing healthcare costs are more poised to weather current economic hardships. By offering a high deductible health plan (HDHP) with HSAs, companies can witness tremendous net savings in the first year alone as well as a per capita reduction. By partnering with an administrator that understands how to encourage and educate your employees about the benefits of consumer-directed spending accounts, you will ensure a successful transition.
10. Select a designated HSA customer service unit

It is essential for vendors to provide useful information that takes away the perceived complexities of HSAs. Historically, banks and health plans have failed to provide the level of service necessary to help participants make sense of their accounts. If consumer-directed spending accounts, such as HSAs and HRAs, are not a vendor’s core competency, it may not have the resources to provide your participants with the support they need.

Furthermore, find out if the vendor’s customer service representatives are trained in all of the consumer-directed accounts you’d like to offer as well as the rules and regulations surrounding them. This will ensure that it can provide assistance with multiple accounts on one call. Remember, when transitioning to a model that combines a high-deductible health plan with an HSA, receiving quality service should be one of your main priorities. This will help ensure a successful transition towards a consumer-directed benefits portfolio.

About WageWorks

WageWorks is the nation’s largest independent provider of consumer-directed benefits solutions for employers. Our forward thinking solutions combine technology and service to bring out the best in tax-advantaged benefits and incentive programs. The result is health care and dependent care, commuter, retiree benefits and wellness plans that are as easy for benefits professionals to administer as they are for employees to use. More than 100 of America’s Fortune 500 employers and millions of their benefits-eligible employees use WageWorks’ programs.

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